

# The University of North Carolina *at* Chapel Hill

A Constituent Institution of The University of North Carolina System and a component unit of the State of North Carolina

# 2000

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## **C o m p r e h e n s i v e   A n n u a l   F i n a n c i a l   R e p o r t**

Chapel Hill, North Carolina • Fiscal Year Ended June 30, 2000



## University Mission

**T**he University of North Carolina at Chapel Hill has been built by the people of the State and has existed for two centuries as the nation's first state university. Through its excellent undergraduate programs, it has provided higher education to ten generations of students, many of whom have become leaders of the State and nation. Since the nineteenth century, it has offered distinguished graduate and professional programs.

The University is a research university. Fundamental to this designation is a faculty actively involved in research, scholarship, and creative work, whose teaching is transformed by discovery and whose service is informed by current knowledge.

The mission of the University is to serve all the people of the State, and indeed the nation, as a center for scholarship and creative endeavor. The University exists to teach students at all levels in an environment of research, free inquiry, and personal responsibility; to expand the body of knowledge; to improve the condition of human life through service and publication; and to enrich our culture.

To fulfill this mission, the University must: [1] acquire, discover, preserve, synthesize, and transmit knowledge; [2] provide high quality undergraduate instruction to students within a community engaged in original inquiry and creative expression, while committed to intellectual freedom, to personal integrity and justice and to those values that foster enlightened leadership for the State and nation; [3] provide graduate and professional programs of national distinction at the doctoral and other advanced levels to future generations of research scholars, educators, professional, and informed citizens; [4] extend knowledge-based services and other resources of the University to the citizens of North Carolina and their institutions to enhance the quality of life for all people in the State; and [5] address, as appropriate, regional, national, and international needs.

This mission imposes special responsibilities upon the faculty, students, staff, administration, trustees, and other governance structures and constituencies of the University in their service and decision-making on behalf of the University.



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Office of the Vice Chancellor for Finance and Administration • Fiscal Year Ended June 30, 2000

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# 2000

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## **I n t r o d u c t o r y   S e c t i o n**



## Message from the Chancellor



As The University of North Carolina at Chapel Hill moves into the 21st century, the nation's oldest public university is facing a defining moment in its history. The convergence of a number of factors, including a major bond referendum to help finance capital needs, a new fund-raising campaign and completion of a master plan for central campus, signal a rebirth – a renaissance, if you will – for this great univer-

sity. These factors are set against a backdrop of an anticipated enrollment increase stemming from an influx of college-bound N.C. high school seniors.

Carolina has worked hard during the last year to prepare for this confluence of events. Few, if any, public universities are fortunate enough to be faced with such a wonderful and exciting challenge.

During the 1999-2000 academic year, the University spent a great deal of time educating North Carolina's lawmakers and general public about the need for the higher education capital facilities bond referendum. Our administrators, staff, students, alumni and friends effectively told the story of our needs and, along with our peers at other public universities and community colleges in the state, helped convince the General Assembly to place the \$3.1 billion referendum on the November 7 ballot. The bond package was approved and will pump nearly \$500 million into Carolina to help with essential repairs and renovations of existing facilities, as well as construction of much-needed new ones.

As the nation's oldest public university, Carolina has much to be proud of. At the same time, however, the years are taking their toll on our facilities. Twenty-one percent of our buildings were constructed before 1930, and some are well over 100 years old. We have outdated lab and classroom buildings in need of major renovations and, in some cases, replacement. Our support facilities also face a backlog of repair and renovation needs. And the university faces a growing shortage of classroom, laboratory and office space – a shortage that will be exacerbated by enrollment increases in the next decade.

Just as important as the direct impact of the bond money on the Chapel Hill campus, however, is its impact on the greater public of North Carolina – on the people who will benefit from Carolina and other public institutions of higher learning educating future leaders of the state, producing cures for ravaging diseases, uncovering new tech-

nologies, and making North Carolina a better place to live and work. The bond money will help us keep the doors of educational and economic opportunity open wide for the state.

Coming on the heels of the bond referendum is the new Carolina First fund-raising campaign, currently in its silent phase. The campaign, expected to raise some \$1.5 billion, will go public in October 2001. Those dollars will further help the University address building needs, as well as programmatic, faculty compensation and student accessibility issues.

The campaign builds on a firm foundation of fund raising. In 1999-2000, some 57,000 donors gave \$165 million to Carolina – a 10 percent increase over 1999 giving. And faculty received more than \$376 million in awards – a new campus record – from federal and other sources in 1999-2000. That total represents a 9 percent increase from fiscal 1999. We also saw a 16 percent hike in National Institutes of Health funding for research in federal fiscal year 1999, ranking Carolina fifth nationwide among public universities and the top public university in the South in NIH support.

Coinciding with the bond referendum and fund-raising campaign is the completion of a new master plan for the central campus. To become the very best public university, we must assure that Carolina can provide a quality living and learning environment. That's just what the new master plan – designed by the Boston firm of Ayers Saint Gross – does. It gives us a roadmap for future campus development. Completion of the plan in fall 2000 is well timed as UNC-CH prepares to embark on major renovation and building projects funded through the anticipated bond package and fund-raising campaign.

Taken individually, any one of these events would have a tremendous impact on Carolina's future. Yet taken together, this confluence of events will leave the University well-positioned to embrace the challenges of the 21st century and fulfill its mission of outstanding teaching, cutting-edge research and unparalleled service to the people of North Carolina and beyond.

Sincerely,

James Moeser

*Dr. James Moeser was elected as chancellor effective August 15, 2000, succeeding William O. McCoy, who had served as interim chancellor since July 1999.*





THE UNIVERSITY OF NORTH CAROLINA  
AT  
CHAPEL HILL

Office of the  
Vice Chancellor for Finance and Administration

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## Letter of Transmittal

November 10, 2000

To Chancellor Moeser, Members of The Board of Trustees, and Friends of The University of North Carolina at Chapel Hill:

### INTRODUCTION

This Comprehensive Annual Financial Report includes the financial statements for the year ended June 30, 2000, in addition to other information useful to those we serve and to those to whom we are accountable. Responsibility for the accuracy of the information and for the completeness and fairness of its presentation, including all disclosures, rests with the management of the University. We believe the information is accurate in all material respects and fairly presents the University's financial position, as well as revenues, expenditures, transfers, and other changes in fund balances. The Comprehensive Annual Financial Report includes all disclosures necessary for the reader of this report to gain a broad understanding of the University's operations for the year ended June 30, 2000. The report is organized into three sections.

The **Introductory Section** includes a message from the Chancellor, the transmittal letter, a listing of the University Board of Trustees, a listing of executive and academic officers, and an organization chart. Also included is information on major University initiatives, as well as financial and economic data. This section is intended to acquaint the reader with the organization and structure of the University, the scope of its operations, its financial activities, the significant factors contributing to the current fiscal environment, and anticipated factors influencing our future.

The **Financial Section** presents the basic financial statements and a report of the Office of the State Auditor. The basic financial statements are prepared in accordance with generally accepted accounting principles for public colleges and universities, as defined by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants.

The **Statistical Section** contains selected financial, statistical, and demographic information. This information

is intended to present to readers a broad overview of trends in the financial affairs of the University.

The financial statements in the Financial Section present all funds belonging to the University and its component units. While the Board of Governors of the University of North Carolina System has ultimate responsibility, the Chancellor, the Board of Trustees, and the Board of Trustees of the Endowment Fund have delegated responsibilities for financial accountability of the University's funds. Although legally separate, The University of North Carolina at Chapel Hill Foundation, Inc. (Foundation) and The University of North Carolina at Chapel Hill Foundation Investment Fund, Inc. (Investment Fund) are reported as if they are part of the University based on Governmental Accounting Standards Board Statement 14. The Foundation's purpose is to aid, support, and promote teaching, research and service in the various educational, scientific, scholarly, professional, artistic, and creative endeavors of the University while the Investment Fund's purpose is to support the University by operating an investment fund for charitable, nonprofit foundations, associations, trusts, endowments and funds that are organized and operated primarily to support the University. The financial statements of the Foundation and the Investment Fund have been blended with those of the University. Other related foundations and similar non-profit corporations for which the University is not financially accountable are not part of the accompanying financial statements. The University of North Carolina at Chapel Hill is a constituent institution of the sixteen campus University of North Carolina System, which is a component unit of the State of North Carolina and an integral part of the State's Comprehensive Annual Financial Report.

### ECONOMIC CONDITION AND OUTLOOK

Despite the devastating impacts of hurricanes and ensuing floods, the North Carolina economy still performed quite well in the 1999-2000 fiscal year. The state continued to attract immigration to add to natural population growth so that the U.S. Bureau of the Census estimated the total population at 7,650,789 people as of July 1, 1999. This represented growth of 15.4 percent since the 1990 Census, well above the U.S. average of 9.6 percent.

The state was almost exactly like the U.S. average for both the proportion of the population under age 25 (25.4 percent for North Carolina and 25.8 percent for the entire U.S.) and the proportion 65 years old and above (12.5 percent vs. 12.7 percent).

Total personal income in North Carolina was a record \$205.5 billion in fiscal 1999. By the second quarter of 2000 total personal income in the state was running at a seasonally adjusted annual rate of \$212.1 billion. This was up 6.8 percent from the second quarter of 1999, right in line with the 6.7 percent national increase for the same period. Total personal income in North Carolina in the second quarter of 2000 was \$3.2 billion less than Virginia and \$16.0 billion less than Georgia.

Personal income per capita was \$28,518 for the entire U.S. in 1999. For North Carolina, the comparable figure was \$26,220 or 92 percent of the national average. This was up 4.1 percent from 1998, a little below the national average increase of 4.8 percent. This level of income was enough to put North Carolina in 28th place, just behind Texas (\$26,525) and just ahead of Missouri (\$26,187). These numbers can only be expected to improve in the next year or two. In September 2000, when the national unemployment rate was 3.9 percent, the unemployment rate in North Carolina was only 3.6 percent. There were only 141,200 people in the entire state in September who were unemployed and looking for work. By contrast, there were 3,807,400 people who were employed in North Carolina in September, up 41,500 people or 1.1 percent from a year earlier.

The unemployment rates in the state's three largest metropolitan statistical areas (MSAs) were close to the state average in September, which was 3.3 percent on a not-seasonally-adjusted basis. The Charlotte-Gastonia-Rock Hill (SC) MSA had 3.4 percent unemployment, while the Greensboro-Winston-Salem-High Point MSA had 2.7 percent and the Raleigh-Durham-Chapel Hill MSA had one of the lowest unemployment rates of any MSA in the country at 1.5 percent. The Asheville MSA had a 2.3 percent unemployment rate in September. Nationally, college graduates age 25 and over had an unemployment rate of only 1.6 percent in October, 2000.

National economic growth should be much lower in fiscal 2000 than in fiscal 1999. North Carolina should outperform the U.S., but still grow less than in fiscal 1999. Gross state product for North Carolina was \$235.8 billion in 1998, 2.7 percent of the total U.S. and that made it the 12th largest state economically.

The University of North Carolina at Chapel Hill is continuing its leadership role in helping not just North Carolina, but the entire U.S. economy move from "old economy" business practices to new knowledge-based technologies and methods. This University plays a vital role in contributing to the economic health of the region and the nation.

## MAJOR INITIATIVES

The University continually strives for excellence in fulfilling its teaching, research, and public service missions. Certain successes and planned improvements are described herein.

### COLLEGE OF ARTS AND SCIENCES

The College of Arts and Sciences launched a series of major initiatives during 1999-2000, including the following:

#### ■ *First Year Seminar Program*

In its inaugural year, this innovative interdisciplinary program reached over 1,000 students in 65 small seminars, taught by some of the University's most accomplished senior faculty.

#### ■ *Office of Undergraduate Research*

The new office provided unprecedented opportunities for undergraduates to work one-on-one with faculty on special research projects.

#### ■ *Johnston Center for Undergraduate Excellence*

The new Center opened in the fall, and 42 classes were taught in the spring. The Center also hosted 430 non-classroom events, offering undergraduates opportunities to visit with distinguished guests including the Governor, the Chief Justice of the State Supreme Court, and others.

#### ■ *Advising*

The advising process was redesigned to make the system more effective and meaningful for students. The system now offers 8 new full-time advisers and 23 faculty members serving as part-time advisers, compared to the past when 50 faculty advised students part-time. Advisers had more than 40,000 student contacts during the year.

#### ■ *Undergraduate Curriculum Review*

This major ongoing curriculum review process will involve faculty, students and administrators including a series of public discussions of what it means to be an educated person.

#### ■ *Interdisciplinary Initiatives*

The College oversaw the planning for interdisciplinary science initiatives in bioinformatics, genomics, nanotechnology and environmental sciences; a new Science Complex; a new Center for Global Education; a new Digital Multi-Media Center, and a new Center for Public Policy.

#### ■ *Globalization and International Studies*

The College established UNC bases in key areas of the globe, reformed and expanded the Study Abroad program and integrated it into the academic curriculum. The College also established new undergraduate curriculum in International and Area Studies.



#### ■ *Arts and Sciences Information Service*

This new office provided technical support to faculty, staff and administration of the College, including re-design of the College web site and incorporation of new technology in the First Year Seminars.

#### ■ *Director of Communications*

This new position was created in 1999-2000 to improve internal and external communications for the College and all of its constituents. The new communications director joined the dean's office in August and has launched a news and information service utilizing email bulletins and the new web site.

#### ■ *Research, Teaching, and Public Service*

College faculty gave 2,300 public presentations and participated in 540 performances and exhibitions; they published 2,400 books, chapters and journal articles, and received 188 awards and professional honors. Community service activities included a science bus that traveled across N.C. taking innovative science teaching to school children, and assistance from the department of city and regional planning to eastern N.C. communities devastated by Hurricane Floyd.

### SCHOOL OF EDUCATION

This year, under the auspices of the Carolina Teaching Network, we will be offering coursework in our new Master's Degree for Experienced Teachers. This master's program will be offered to cohorts of teachers who share a school or school district. It will provide intensive coursework during the summers and will sustain work during the school year through internet communication and meetings at sites close to teachers' homes and workplaces. We will offer a master's degree program in school administration for teachers in a similar format. By working with cohorts who share school communities, we are enabled to address curriculum, instruction and school organization with groups of teachers eager to work together to improve their schools and the quality of their own teaching practices.

These programs join other off-campus efforts to prepare and support teachers: our federally funded program to provide English as a Second Language training to teachers; our work with lateral entry teachers in NCTeach; our internet based courses in special education; and our work with teachers in every school district of North Carolina through LEARN NC, our internet based network for teachers offering teacher-authored curriculum tailored to

the standard course of study and a remarkable library of hot-link curriculum resources, including connections to the Ackland Museum collection, programs from the Morehead planetarium, and a new on-line system entitled Carolina On-Line Teacher (COLT) for teachers interested in developing skills in distance education.

While face-to-face interaction is essential to any curriculum that addresses education, it is important to utilize distance education resources where appropriate to make education accessible and to provide channels for conversation and community among teachers dispersed across the state and the nation. This year every member of the School of Education will be trained to become familiar with software that supports on-line curriculum.

Our efforts to support teacher education and practicing teachers will be enhanced by access to the new R.D. and Euzelle Smith middle school in Chapel Hill/Carrboro School District. Located between Seawell Elementary School and Chapel Hill High School, the middle school completes an educational park that offers curriculum development opportunities for area teachers and School of Education students and researchers. The new school will also provide a site for off-campus courses and workshops for teachers.

The Education Arts Agenda continues to flourish, working with arts departments across campus to infuse teacher education courses with arts experiences. This year's focus is the jazz festival that will take place on campus in the spring semester, offering us exciting opportunities to address the relationship of structure to improvisation in teaching as well as the rich history of jazz in African-American culture. In addition the Curriculum, Music, and Community project which brings indigenous musicians into schools, linking old time music, blues, gospel and jazz to subjects across the fourth grade curriculum will continue, adding new schools in the Piedmont and Eastern Carolina to the pilot projects already initiated in the western counties of the state.

### INSTITUTE OF GOVERNMENT

Fiscal Year 1999-2000 was an excellent year for the Institute in all areas, most notably in the breadth and quality of our faculty, staff and student response to Carolina communities following the floods of Hurricane Floyd.

1999 – 2000

### Highlight

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infuse teacher education courses with

This year the long-awaited expansion and renovation of the Institute's 40-year-old building began. With the building increasing substantially in size, the Institute is working to supplement its state appropriation with \$4 million in additional public and private funds to complete all the planned renovations and to fully furnish, equip and landscape the building.

Institute faculty taught over two hundred courses reaching more than 14,000 of North Carolina's public officials. Teaching, research and service highlights for the year include:

The graduation of 91 municipal and county officials from the Institute's flagship 150-hour Municipal and County Administration course. These students joined more than 3,300 public officials who have completed the curriculum since 1954.

Five teams of Master of Public Administration students conducted research and analysis projects for: Town of Hillsborough—Comprehensive Ten-year Street Re-paving Plan; Town of Carrboro—Review of Town Advisory Boards and Performance Measures for the Planning Department; NC Coastal Federation—Evaluation of Coastal Management Alternatives for Dealing with Beach Erosion; Leadership Triangle—Community Impact Assessment.

Thirty-one teachers of the high-school course "Economic, Legal and Political Systems" (ELP) attended a weeklong summer workshop to learn new interactive teaching techniques for helping students understand and value their roles as citizens. Workshop sponsors were The Cannon Foundation, the Constitutional Rights Foundation, and the NC Association for the Prevention of School Violence.

The Jessie Ball duPont Fund contributed \$150,000 to initiate a multi-year research project to help government agencies and nonprofit organizations devise effective ways to communicate and work together in meeting state and community needs. The Institute also is participating in a research project sponsored by the Pew Partnership for Civic Change to gather and disseminate promising practices related to community building and civic problem solving.

Kevin FitzGerald, formerly Director of the NC Division of Social Services, was hired as Planning Director for the new interdisciplinary Center for Public Technology. The center will offer teaching, research and other technical assistance to improve the delivery of public services and

transform citizen involvement with government.

FitzGerald will guide the design of the Center in partnership with state and local governments, technology companies, other academic units and institutions, and private companies and nonprofit organizations doing business with government.

In the aftermath of Hurricane Floyd, at least 15 faculty members advised and taught local and state government officials on issues such as emergency local government finance; FEMA accounting; governmental authority to enter private property for emergency; inspections; emergency contracting; funding to provide high-ground housing; state-level emergency funding options; and zoning and planning options in emergencies. MPA students spent fall break helping local government managers with tasks related to disaster relief. For example, students working in Goldsboro evaluated the damage-assessment process and searched tax records for home values, then entered the values on a GIS layer showing the locations of those homes. The Civic Education Consortium also worked with the NC Department of Administration, the Rural Economic Development Center, the NC Department of Public Instruction, and 4-H Youth Development to conduct a survey of hurricane recovery needs among youth in the affected region. The survey included an April 2000 Information Highway summit about recovery needs involving teenagers from Duplin, Edgecombe, Lenoir, and Pitt Counties.

## SCHOOL OF SOCIAL WORK

In 1999 U.S. News & World Report rated the School of Social Work (SSW) 7th of over 130 masters programs nationally and 4th among public schools of social work. While this ranking is a testament to our hard work and successful history, the school is committed to further growth and new opportunities in education, research, and service to the community and international activities.

### ■ Education

2000–2001 is the year of self-examination as the SSW pursues reaccreditation of its Masters' Program from the Council on Social Work Education and Program Review from the Graduate School. This will entail a comprehensive examination of policies, operations, curriculum and outcomes.

In the fall of 2000, we opened a new part-time distance education program in Fayetteville and admitted the final cohort of students in our Charlotte program. Overall our

1999 – 2000

## Highlights

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Fayetteville and admitted the final cohort of students in our Charlotte program. Overall the incoming MSW

class of 2000 was the largest in the School's history.

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Faculty, staff and students from the SSW have been active participants in North Carolina flood relief efforts, assisting with donation collections, cleanup and long-term psychosocial assistance to flood survivors.

Our faculty and staff have been prolific, publishing eight books, 21 book chapters and over 50 articles in 1999–2000.

#### ■ *Research and Service*

During fiscal year 1999–2000, over 45 externally funded projects totaling almost \$12 million involved more than 100 faculty and staff. One major new project is the Child Welfare Education Collaborative, a \$1.5 million collaborative effort among the state's three graduate social work programs, county departments of social services and other statewide organizations.

During 1999–2000, the Jordan Institute for Families continued to serve as a major source for off-campus education of professionals in adult and children's mental health, child welfare, aging, juvenile justice, and substance abuse services, among others. In all, 14,000 individuals in almost all of the state's 100 counties participated in workshops, seminars, trainings and conferences sponsored by the SSW through the Institute.

During 2000–2001, the Jordan Institute for Families intends to apply to the National Institute on Drug Abuse (NIDA) for funding for a Social Work Research Development Program. The Institute will also submit a proposal to the National Institute on Mental Health (NIMH) for support of a Social Work Research Development Center.

#### ■ *International Activities*

This past summer the SSW sponsored two summer school abroad courses: one to Mexico, exploring the social and economic forces contributing to increasing migration to the US, and one to Eastern Europe, analyzing and comparing public and private social development institutions. The School hosted two Fulbright Scholars in 1999–2000 and sponsors monthly informal discussions of international social issues through its International Social Work Exchange Program. Faculty continues to provide consultation and training in a number of countries, most recently Lithuania, Israel and Romania.

## **KENAN-FLAGLER SCHOOL OF BUSINESS**

With the dedication of the new state-of-the-art Paul J. Rizzo Conference Center at Meadowmont on Sept. 22, 2000, Kenan-Flagler ushered in a new era for its Executive Education Program. The Center, located on the pastoral, 28-acre Meadowmont property off of N.C. 54, offers an ideal location for business executives to tackle strategic issues. The center is named for school alumnus Paul J. Rizzo, retired vice chairman of IBM, former Kenan-Flagler dean (1987–92) and presently chairman of the board and partner in Franklin Street Partners Inc., to recognize his leadership and service to Kenan-Flagler and UNC-Chapel Hill. Kenan-Flagler's Executive Education programs have been consistently ranked among the best in the country by publications including *Business Week*, *U.S. News & World Report* and the *Financial Times*.

Kenan-Flagler will admit its first students in February 2001 to the Corporate MBA Program, the first international executive MBA program custom-designed for corporate teams. Teams of five to seven executives from non-competing companies will spend 20 months getting their MBAs, with residencies in Chapel Hill, Asia, Europe and Latin America. Between residencies, teams will engage in interactive, Internet-based learning. The capstone of the Corporate MBA is a consulting project for each sponsoring company. Nortel Networks is among the first companies to sign-on for this innovative program.

In an innovative application of technology to business education, Kenan-Flagler is tracking in real time the dramatic changes being made in the School's MBA Program – and it's unveiling those improvement strategies to the world. [www.MBAscorecard.unc.edu](http://www.MBAscorecard.unc.edu), the first Web site of its kind, reveals the MBA Scorecard, which shows the MBA Program's objectives and how they are measured, current performance and goals and improvement plans under way. The MBA Scorecard is the first application of the balanced scorecard idea to business education. The pace-setting idea appealed to Dell Computer Corp., which sponsored the creation of the Web site.

Kenan-Flagler is leading the way in preparing future leaders for the ever-changing, digital world. In January 2000, the school established eUNC (<http://eunc.unc.edu>), an e-business research center devoted to leading-edge research, education and practice in the areas of information technology, commerce and knowledge. Under the auspices of eUNC, students can get help starting their own

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Conference Center at Meadowmont on Sept. 22, 2000, Kenan-Flagler ush-

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technology-based businesses in the new eLauncher, an incubator located in the basement of the McColl building.

The School continues to be a leader in the critical and emerging business area of environmental management and sustainable enterprise. The World Resources Institute and the Aspen Institute recognized Kenan-Flagler's preeminence in the field of sustainability in October 1999 by awarding it the nation's top ranking for incorporating environment-business issues in the MBA Program. Two of the School's faculty members were named faculty pioneers for reshaping business education to integrate environmental and social issues in corporate decision-making.

Kenan-Flagler Dean Robert S. Sullivan met with President Bill Clinton in April 2000 to brainstorm ways to bridge the "digital divide," to ensure that every person has equal access to technology. Sullivan, an acknowledged technology expert, was among the leaders invited to participate in the president's roundtable discussion on the digital divide in Whiteville, N.C., where Clinton stressed the importance of high-speed Internet access to rural economic development. Sullivan also met privately with key state leaders on ways to close the digital gap in North Carolina.

## SCHOOL OF JOURNALISM AND MASS COMMUNICATION

This year marked the School's one-year anniversary in its splendid new home on the campus: Carroll Hall. More than 400 friends gathered March 31-April 1, 2000, to dedicate and celebrate the newly renovated building. Many alumni, friends, corporations and foundations have made generous gifts to the School, raising more than \$5 million in private money for the renovation.

The School of Journalism and Mass Communication has been nationally accredited since 1958. We were the first school in the United States to receive full, unit accreditation. In our latest accreditation report, in May 1997, the national Accrediting Council on Education in Journalism and Mass Communications (ACEJMC) gave our School nothing less than a rave review. It said that our School is arguably the best in the nation.

The mass media and communication businesses and other entities in the state – and far beyond – continue to look to us for graduates to hire and for research and for professional partnerships of many kinds.

The School focused on two areas of specialty this year. Our relatively new medical journalism program has taken off, with the first master's students entering in fall 2000. Attempts are being made to develop a specialty in sports communication because it's so pervasive not only in the United States but also internationally.

The School's Executive Education program has proven successful, offering monthly workshops and seminars on newspaper design, media law, the performing arts, political coverage, marketing communication, public relations, the Latino community and the business of sports. The program is committed to providing communication leaders and specialists with the most up-to-date knowledge and perspective needed to succeed in an increasingly competitive market.

Undergraduate excellence continues to be a top priority. Each year national and international awards go to students in our five undergraduate sequences. This year our School came in third in the nation in the annual Hearst writing competition. "Carolina Week," a 30-minute weekly campus news program, debuted in spring 2000.

Twenty-seven of our 60 graduate students presented 37 papers in the AEJMC Southeast Regional Colloquium of the History, Law, Newspaper and Magazine Divisions, which was held in the School. And they won 10 of the 14 regional prizes that were given.

Professional partnerships continue to be vital to our School because they enable our students, faculty, staff and outside constituents to learn more about our current mass communication issues and practices. This year, one current partnership, the USA Today Minisabbatical Program, benefitted both USA Today and the School by allowing fellows to talk to classes and interact with faculty members and students.

Two outstanding foundations — the Park Foundation and The Freedom Forum — continue to give big annual grants to help make our graduate program world-class. Our 60 Park Fellows celebrated the Carroll Hall dedication with a champagne breakfast to honor the Park family. And we hope to have the first Park Visiting Professor in the School for spring 2001. All three Freedom Forum Ph.D. Fellows graduating this year landed excellent teaching jobs, including one who will have an endowed professorship right after Ph.D. school.

1999 – 2000

## Highlights

In our latest accreditation report, in May 1997, the national Accrediting Council on Education in Journalism

and Mass Communications (ACEJMC) gave our School nothing less than a

rave review. It said that our School is arguably the best in the nation.

## SCHOOL OF INFORMATION AND LIBRARY SCIENCE

SILS continues to benefit from its number one ranking among schools of information and library science awarded by U.S. News and World Report in March 1999. The school attracted very high-caliber students from around the world. The 1999 (calendar year) entering class of 101 master's students represented 18 states and seven foreign countries. The average GRE score of master's entrants was 1173 and the average undergraduate GPA was 3.33.

In October 1999, SILS was awarded a \$3.7 million contract to provide library services for the Environmental Protection Agency (EPA) in Research Triangle Park for a five year period. Over the last 26 years that SILS has held this contract, over 250 students have served as paid library interns at EPA and the National Institute for Environmental Health Sciences.

In November 1999, SILS was reviewed for accreditation of its masters' programs by the American Library Association and thereafter by the UNC Graduate School. Both reviews were helpful and productive, pointing out both resource needs, such as additional space and staff, as well as areas of strength. In January 2000, we learned that both our master's degrees in information science and library science had been accredited for a full seven-year period. This is the first time that an information science master's program has achieved the maximum accreditation period.

Building on the popularity and strength of the undergraduate minor, SILS requested permission to plan a new major in information science from the General Administration in 1999. This permission was granted in January 2000 and detailed curriculum plans have been developed. This new degree responds directly to the need for information technology professionals in Research Triangle Park.

A highlight in development during 1999-2000 was the endowment of the Michael Hooker Fellowship in Applied Networking. The \$120,000 donation was made jointly by Selby Wellman, John Chambers and CISCO Systems.

Digital Library Week organized by SILS Boshamer Professor Gary Marchionini attracted researchers from all over North America and the Research Triangle. The week was concluded with the annual Henderson Lecture pre-

sented by Michael Lesk from the National Science Foundation. The third annual Susan Steinfest lecture was given by Seymour Simon, author of 150 highly acclaimed children's science books. The event attracted over 100 local area children and families.

SILS faculty members continued to win major national awards in 1999-2000. Professor and Emerita Evelyn Daniel won the Professional Service Award from the Association for Library and Information Science Education. Professor Paul Solomon won the prize for best article in the Journal of the American Society for Information Science. Dean and Professor Joanne Gard Marshall won the Winifred Sewell Prize for Innovation in Information Technology from the Biomedical and Life Sciences Section of the Special Libraries Association. Boshamer Professor Gary Marchionini won the Frederick G. Kilgour Award for Research in Library and Information Technology sponsored by OCLC Inc. and the Library and Information Technology Association (LITA), a division of the American Library Association.

## SCHOOL OF LAW

The School of Law opened and dedicated a marvelous 58,000 square foot building addition in October, 1999. The facility provides significant, and strongly needed, small and medium-sized classrooms, new student services offices, a library expansion, enlarged student organization space, an excellent clinical education plant and a beautiful central rotunda. The addition has dramatically transformed the Law School's physical facility. The very atmosphere of the institution has changed-creating a powerful sense of optimism and excellence in both the faculty and the student body. That sense of optimism was ratified and intensified by an extraordinarily positive reaccreditation report issued by the American Bar Association in the spring. Those who work at the School of Law have every confidence that it can build on its traditions to become one of the very best public law schools in the country.

As an example of that progress, and of our complementary goal to more effectively serve the people of North Carolina, in July, 2000 the Law School launched a new Center for Banking and Financial Services. This Center, working closely with the Business School and the Charlotte legal and banking communities, will cement the Carolina Law School's role as a leading institution for the

The School of Law opened and dedicated a marvelous 58,000 square foot building addition in October, 1999. The addition has dramatically transformed the Law School's physical facility.



study of banking law. Professor Lissa Broome is the new center director. She brings tremendous expertise in the legal challenges facing banks and great contacts with the banking world through her own scholarship and strong track record of the Banking Law Institute. The Center will allow us to bring into our curriculum the most accomplished banking lawyers in America. The Center is already conducting a commissioned study of North Carolina banking laws, in order to propose amendments and revisions of the present code. And the conference work, already scheduled, will help to mark this institution as a focal point for legal study. This new effort illustrates the Carolina Law School's goal of developing a caliber of faculty, students and programs that is second to none. We seek to improve the quality of our efforts while we deepen and foster our traditional ties to the people and institutions of North Carolina.

### FRANK PORTER GRAHAM CHILD DEVELOPMENT CENTER (FPG)

Since its inception, FPG has embraced a dual mission of generating knowledge through research and sharing this knowledge through a variety of outreach activities. Last year, 51 FPG grants, totaling more than \$10 million were devoted to research; 27 FPG grants, totaling more than \$8 million, focused on outreach initiatives.

Major research themes included enhancing the quality of early care and education environments for children (birth to 5), supporting children with disabilities through early intervention, and strengthening parenting and family support.

The center was awarded a three-year \$855,336 NIH grant to assess how parents from different cultural backgrounds who have a child (or who are at risk for having a child) with a genetic disorder seek out, understand, and use knowledge to interpret genetic disorders and make decisions about reproduction and health services. A \$539,898 grant from the US Department of Education is addressing early identification of children with fragile X syndrome. The National Center for Early Development and Learning housed at FPG was awarded a three-year \$11 million extension to examine public school-based early childhood education in the US.

The center's outreach activities included technical assistance, web-based dissemination of research findings, model demonstration projects, and product development. The center received a \$305,239 grant to train assessors of child care centers in accordance with North Carolina's

new five-star licensing system. A \$782,261 grant will evaluate the effects of professional development activities conducted through distance learning. The National Early Childhood Technical Assistance System (NECTAS) delivered 7,500 client-centered services last year to state-level administrators of early education and intervention programs. The average number of daily hits on the FPG web site approached 20,000 last year.

### SCHOOL OF DENTISTRY

During 1999-2000, the School of Dentistry introduced several new and significant initiatives within the School's mission areas of teaching/learning, research, patient care and service.

#### ■ Teaching/Learning

During the past year, development of the Electronic Syllabus project and the online database, which contain teaching/lecture materials for our DDS and allied dental education students, continued. A new Curriculum Enhancement Fellowship Program, which provides stipend support to 18 DDS and allied dental students for assisting Course Directors with the development of novel digital teaching materials and products, was implemented. One lecture hall and four seminar rooms were renovated to provide state-of-the-art digital technologies, which will permit the further implementation of our evolving digital curriculum.

#### ■ Research

The major initiative was the creation and implementation of the Comprehensive Center for Inflammatory Disorders, officially created on August 1, 1999. This Center brings together 33 principal investigators from the disciplines of basic science, dentistry, medicine, epidemiology, health services, education, and community work to study the cause, effect, treatments and outcomes of chronic inflammatory disorders. Federally-funded and total support for research activity reached its highest level ever, and new initiatives in craniofacial growth and development, biomaterials, inflammation, and tissue engineering were responsible for the continued growth in research. The implementation of a new training program in neurosciences, the expansion of the Clinical Scholars and Oral Biology Graduate Programs, and the continued excellence of the Oral Epidemiology Training Program were additional activities. Progress continued to be made in all areas of research activity, including craniofacial diseases and disorders, studies on incidence, risks, and outcome treatments for third molar extraction, clinical evalu-

1999 – 2000

## Highlights

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ation of dental adhesives, the effects of anti-bacterial and anti-inflammatory agents on periodontal disease, gene therapy for AIDS, studies on bone grafting and remodeling, studies on new dental composites, and the role of periodontal disease in coronary heart disease and preterm low birth weight deliveries. New initiatives in the genetic regulation of bone loss and regeneration, aerodynamics of speech in cleft palate patients, molecular basis for craniofacial abnormalities, sliding mechanics for orthodontia appliances, dental materials and adhesives, and inflammatory mechanisms in oral and systemic diseases highlight the year.

#### ■ *Patient Care*

We are continuing to integrate and improve our clinical computer systems. Eventually clinical and financial data will be seamlessly interfaced with our student grading system. Digital radiography has been implemented on a limited basis but this could be expanded to include the entire school. Procedures are being examined to optimize the use of staff and materials.

#### ■ *Public Service*

The School produced its first live Webcast for the 45th Annual Meeting of the Southern Conference of Deans and Dental Examiners. Participants at a remote site were able to view live clinical procedures being demonstrated at the School. A mobile Webcast station is now available to assist with live and pre-recorded online video presentations. Dental OPPS (Online Professional Posting Site) was created to allow alumni and other dental professionals to post practice opportunities and staff needs. Working in cooperation with the General Alumni Association, the school launched an online alumni directory to enhance communication among alumni both locally and internationally. The Dental Alumni Association underwrote the cost of special project to beautify the southwest corner of the School of Dentistry complex. The newly landscaped Alumni Garden will be dedicated in September as part of the School's 50th Anniversary Celebration.

### **NORTH CAROLINA AHEC PROGRAM**

#### ■ *Health Careers and Workforce Diversity*

Last year 14,058 young people participated in AHEC activities in health careers and workforce diversity. Activities included shadowing and mentoring experiences, summer experiential activities, health career fairs and forums, and cultural sensitivity training. These programs

are designed to expose students of all ethnic and socioeconomic backgrounds to opportunities in health professions, help students prepare for challenging careers in healthcare, and address workforce shortages that exist in North Carolina.

#### ■ *Library and Information Services*

The N.C. Area Health Education Centers (AHEC) Program has received a grant from the Duke Endowment to continue developing its digital library, a World Wide Web portal that provides access to high-quality electronic health resources for physicians and clinical educators.

The AHEC Digital Library (<http://library.ncahec.net/>) provides health information to AHEC staff, faculty, medical residents and more than 2,000 preceptors located across the state. The library offers desktop access to primary medical databases, electronic full-text medical journals and textbooks, clinical practice guidelines and patient education information. As the digital library is developed, its resources will be extended to all health practitioners throughout the state.

The AHEC Program received \$150,000 from The Duke Endowment. An additional \$250,000 is expected for the program over the next two years after an annual approval process. The funds will be used to add new subject areas to the digital library collection, and will make resources available free of charge to new audiences.

#### ■ *Off-Campus Degree Programs*

AHEC designs and supports off-campus programs that improve educational mobility for students in nursing, public health, and social work. The AHEC Program allocates funds for these programs, and provides the schools and students with logistical support, classroom space, computer support, and library support. In addition, they help identify appropriate clinical sites and develop preceptors.

There are currently more than 400 students enrolled in AHEC-supported off-campus degree programs: 67 students in public health; 14 MSW students; and 320 students are working toward off-campus nursing degrees.

### **SCHOOL OF MEDICINE**

A new Department of Genetics was established this year, increasing the number of academic departments in the School to twenty-six. The School has recruited eight new department chairs since January 2000 (for a total of fourteen new chairs and four new center directors since

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1997), representing an unprecedented period of major change in the School's senior leadership.

New and renovated research facilities are a top priority of the School to be supported by both new University and School investment. Attractive space will enable the School to continue to attract and retain first-rate scientists in the priority areas of genomics and bioinformatics, the neurosciences, infectious diseases, cancer programs, vascular biology and clinical research and technology transfer.

The School received notification of funding of two federal grants, each for five years. The Health Careers Opportunity Program grant from the Department of Health and Human Services will provide \$2.2 million to support enrichment programs for minority and other disadvantaged students to prepare them for medical school application. The NIH has renewed our Short Term Research Training Grant that provides stipends to enrolled medical students for participation in projects for 2-3 months with faculty preceptors. Funded by the Health Affairs Interdisciplinary Education Committee, the School designed and implemented a case based exercise within existing courses across five UNC schools to demonstrate the team approach to health care.

After Hurricane Floyd devastated many areas in eastern North Carolina in September 1999, the School's faculty and students responded to relief efforts in important capacities. Family Medicine faculty coordinated an effort to acquire medications and distributed them in eastern North Carolina, resulting in more than 500,000 doses of oral prescription medications and nearly 7,000 packages of topical products, inhalers, injections, nutritional supplements, cough and cold products, and medication-related devices available for distribution to patients. Faculty established and staffed a relief clinic in Grifton, NC for seven weeks, working with the North Carolina Academy of Family Practice. Psychiatry faculty offered crisis services to the victims of Hurricane Floyd and their caregivers and "crash course" training to volunteers from the UNC Health Care System, and to local professionals in eastern North Carolina. Seventy medical students received recognition by the Surgeon General for volunteering for one week during their second year clinical medicine course in Eastern North Carolina assisting in relief efforts following Hurricane Floyd.

The Clinical Center for the Study of Development and Learning (CDL) was awarded a grant from the North

Carolina Division of Early Intervention and Education to establish a regional multi-disciplinary resource team to provide training, technical assistance, etc. to existing early intervention agencies in a five-county area of North Carolina working with children birth to 5 years with low incidence disabilities (visual impairment, hearing impairment, autism, and other mental health concerns).

A project in the Department of Emergency Medicine was funded by the North Carolina Office of Emergency Medical Services and the North Carolina Governor's Highway Safety Initiative to develop a statewide electronic EMS medical record to be used by all EMS systems in North Carolina. The program will allow local EMS systems to capture and store useful information to promote quality care, improve patient outcomes, and advance pre-hospital outcomes-based research.

In April 2000 Rex Healthcare in Raleigh became part of the UNC Health Care System to complement and expand the existing services and programs offered by UNC and Rex, and to enhance the abilities of both organizations to serve patients and families in the greater Triangle area.

## SCHOOL OF NURSING

This was an active year for the School of Nursing. In July 1999, Linda Cronenwett, PhD, RN, FAAN, became Dean of the School and led a school-wide effort to review and evaluate the School's organization and administrative structure. With input from faculty, staff, students, alumni and clinical partners, a new administrative structure was created and implemented to ensure the strength of the School's academic, research, and clinical initiatives.

In response to the growing nursing shortage and, in particular, the need for greater numbers of nurses trained at the master's level, the School implemented a new MSN Outreach Program in collaboration with Wake AHEC. This year, 64 students completed two courses at the Wake site; 29 of these students have been accepted into the MSN program, with 16 matriculating for full-time study on the Carolina campus, and 13 electing the part-time Wake Outreach option.

Recognizing the need to reduce the health disparities experienced by rural residents of our state, the School developed a Rural Community-Oriented Primary Care (R-COPC) educational program for Primary Care-Family Nurse Practitioner (PC-FNP) students. A 3-year, \$725,000 grant from the Bureau of Health Professions, US-DHHS,

1999 – 2000

## Highlights

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has been awarded to support implementation of the program, which will prepare graduates to practice as Family Nurse Practitioners in rural communities with traditionally under-served populations. The program provides a multi-cultural learning environment and increases accessibility of FNP programs to students from underrepresented ethnic minority and other disadvantaged backgrounds.

A major initiative this year was the creation of a Minority Visiting Scholars program. The program involves the recruitment and hosting of underrepresented ethnic minority nursing scholars for one-week periods with the intent of promoting the intellectual climate of the School, conveying our commitment to inclusiveness, and enhancing our ability to recruit underrepresented minority scholars to faculty positions within the School of Nursing. Dr. Rhetaugh Dumas, Vice Provost Emerita, Dean Emerita, and Lucille Cole Professor of Nursing at the University of Michigan was our first visiting scholar. Throughout her visit, Dr. Dumas worked with nursing faculty, students and staff to discuss the issues involved in creating a culture of acceptance for ethnic minorities within academia. The School also hosted a forum on Race and Scholarship that brought together distinguished minority scholars from UNC-CH to discuss the experiences of minority scholars and professionals. Drs. Angela Bryant, Genna Rae McNeil, Keith Wailoo, and Henry Frierson, served as panel members, and Dr. John Hatch moderated the session.

As did many others in the University, faculty, students, and staff of the School of Nursing responded to the devastation caused in eastern North Carolina by hurricane Floyd by devoting time, energy, and material goods to the relief effort. Faculty and graduate students staffed shelters and temporary health clinics. Senior nursing students in a Psychiatric Mental Health Nursing course completed a 3-week intensive clinical experience in one of the hardest hit towns, Grifton, NC. Under the supervision of their nursing instructor, they completed 60 hours of clinical training, learning how to deliver post-disaster crisis care. Two additional clinical groups have since traveled to the town, and the experience is offered to other students studying community/mental health nursing.

The School achieved a new record in research funding. Faculty and doctoral students garnered \$5.5 million in research support from the National Institutes of Health (NIH) and other foundations and agencies. Our school was again ranked fourth among all schools of nursing in research funding from NIH. Collectively, the School's

research studies involve and provide services to individuals in over 70 counties in the state.

Finally, the School began construction on a 1,000 square foot addition to the Biobehavioral Laboratory, which provides equipment and training for the assessment of real-time biological and behavioral parameters. The new addition will provide a two-room sleep lab, space for preparation and storage of biological assays, and an instrumentation facility for development, evaluation and training in the use of non-invasive ambulatory measurement techniques.

## SCHOOL OF PHARMACY

The revolution in molecular biology is at the cusp of establishing genes as therapeutic agents, much like antibiotics or any other drugs. Genes are in fact drugs: they have doses, they have therapeutic effects, they have adverse effects, and they have the potential to cure diseases that are currently beyond our reach. In collaboration with the School of Medicine (Gene Therapy Center and Department of Pharmacology), faculty in the School of Pharmacy are part of an NIH grant totaling \$4 million over five years to advance the use of genes as therapeutic agents. Entitled "The Pharmacodynamics of Genes and Oligonucleotides," the project should provide important information on using genes in the most safe and effective manner.

Planning is underway for an Institute on Natural Medicine (INM). One of the leading figures in the science of natural medicine is Kenan Professor K. H. Lee of the School of Pharmacy. Dr. Lee is currently Director of the Natural Products Laboratory, and in collaboration with Research Triangle Institute, the Office of Technology Transfer at UNC, and other scientists and administrators at UNC is planning for an international center of excellence that will develop new compounds with therapeutic potential from natural products, will develop quality control standards (a critical deficiency in current national policy), and coordinate placement and evaluation of clinical trials testing the safety and efficacy of natural medicines.

The UNC Center for Education and Research in Therapeutics (CERTs) is one of seven funded in the U.S. this year. This initiative is part of our national health strategy to achieve optimum use of drugs and devices in the U.S. by providing funds for research that would fall outside the scope of the National Institutes of Health or the pharmaceutical industry. Other Centers are located at

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Harvard, Duke, Vanderbilt, University of Pennsylvania, Georgetown University, and University of Alabama at Birmingham. The UNC Center is focused on conducting research and developing educational programs for practitioners who prescribe, administer, and dispense medications for children.

Banks D. Kerr Hall, a 65,000 square foot addition to the Pharmacy Building will double current space and provide much needed laboratory, classroom and office space. This project should be completed during the next 16 months, at a cost of approximately \$24 million, and dramatically improve our ability to serve the people of North Carolina.

### SCHOOL OF PUBLIC HEALTH

The School of Public Health is actively engaged in continuing and expanding its tradition of excellence in teaching, research, practice, and service. Highlights from 1999-2000 include:

The UNC-CH School of Public Health was ranked the nation's top school of public health at a public university by US News and World Report magazine, and was third overall after Johns Hopkins and Harvard Universities.

The School launched in August the North Carolina Institute for Public Health, a major service initiative that links faculty, students, and staff with the public health practice community. One of its first endeavors was to provide significant technical assistance and leadership support to help North Carolina recover from the ravages of Hurricane Floyd.

The University established this year the Drinking Water Research Center in the School of Public Health. This Center draws on expertise in chemistry, economics, engineering, epidemiology, microbiology, risk assessment, and water policy, and brings existing drinking water-related research and service efforts at Carolina under a single umbrella.

The Barbara Sorenson Hulka Distinguished Professorship in Cancer Epidemiology was established this year through the generosity of Dr. Hulka. This professorship will allow the School to recruit to its faculty a senior scholar and researcher of international distinction who will further strengthen the cancer research program at UNC-Chapel Hill.

The American Institute for Cancer Research Distinguished Professorship in Cancer, Nutrition, and Prevention was created in the School's Department of Nutrition. This professorship will forge crucial links among the School of Public Health, the School of Medicine, and the Lineberger Comprehensive Cancer Center.

The Program on Health Outcomes, a university-wide program housed in the School of Public Health, received \$1.5 million from the Glaxo Wellcome Foundation to provide core support over the next three years. The Program also received a three-year \$1.98 million grant to establish the first of seven federally supported Centers for Education and Research on Therapeutics.

The School's 22nd Annual Minority Health Conference, "Public Health 2000: Reflections on the Past, Directions for the Future," drew a record crowd of more than 500 students, researchers, practitioners, and educators in public health and human services.

The first 98 public health practitioners graduated in May from the Management Academy for Public Health, a groundbreaking initiative of the School of Public Health and the Kenan-Flagler Business School to strengthen the management capacity of local and state health departments in Georgia, North Carolina, South Carolina, and Virginia.

Architects are working with School officials to finish the last design details for our new public health laboratory building. We have received all required University and State approvals and look forward to breaking ground in the coming fiscal year. This building will house vital research and training activities in environmental sciences and engineering, epidemiology, and nutritional biochemistry.

The UNC Program on Health Outcomes, the Cecil B. Sheps Center for Health Services Research, and the UNC Schools of Public Health and Medicine anticipate receiving an award to become a federally supported Center of Excellence on Overcoming Racial Health Disparities. This Center will conduct research and service projects directed at reducing health disparities and training the next generations of minority health affairs students.

1999 – 2000

### Highlight

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Directions for the Future," drew a record crowd of more than 500 students, researchers, practitioners, and

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## UNIVERSITY LIBRARIES

### Health Sciences Library

#### ■ *Improved Services*

HSL opened the User Services Center, the library's single service point, which reduces the number of places users need to go to obtain services. A program featuring Enriqueta Bond, Burroughs Wellcome Fund President, marked the opening.

HSL automated more of the interlibrary lending and borrowing functions. Documents can be scanned, emailed and received in digital form. Users can input and track the status of their requests online. The library has completely eliminated paper forms for processing interlibrary loans. Average turnaround time for requests has dropped from 11 days to 4 days.

UNC-CH alumni have a new web site of library services and health-related information, selected especially for them by HSL librarians using established quality criteria. The page is on the HSL web site ([www.hsl.unc.edu](http://www.hsl.unc.edu)).

#### ■ *Expanding Service to North Carolina Communities*

The Area Health Education Centers (AHEC) Digital Library reached prototype stage. The Health Sciences Library is leading the development of this new service. Primary health care providers throughout the state, hospital residents, and students on rotation in community teaching sites have access to core information and library services through the AHEC Digital Library. The AHEC Digital Library plans eventually to reach all health professionals in the state, with a \$400,000 grant received from the Duke Endowment.

The three campus libraries hired the first campus-wide Distance Education Specialist with funds from the state legislature. Library distance education services include information help from librarians, electronic reserves, information skills tutorials, and access to articles. These services reached students across North Carolina and the world this year. Some state locations include: Asheville, Cullowee, Gastonia, Hickory, Laurinburg, New Bern, Roanoke Rapids, Silva. Even students in multi-campus programs such as the curriculum in Speech and Hearing, are obtaining improved library service and materials as faculty receive help from campus libraries in support of their distance education courses.

#### ■ *Serving New Populations*

HSL staff collaborated with Duke Medical Center Library staff to create an Evidence Based Medicine online tutorial. Organizations have requested permission to link to this module from their web sites or to translate the module into Spanish.

The library hosted 24 course-integrated instructional sessions for 483 undergraduate students. Librarians help students find information at both consumer and professional levels by providing instruction on choosing databases, search terms and techniques, evaluating web resources, and selection and use of full text articles. Students are in biology, English, physical education, and journalism curricula.

HSL librarians helped teach 110 public and community college librarians in North Carolina how to find health-related information resources and use them to answer questions from the public. HSL librarians developed the course materials and AHEC librarians and HSL librarians taught the sessions.

### Academic Affairs Library

During 1999-2000, the Academic Affairs Library sustained our commitment to ongoing services and traditional collections, while also developing innovative programs and collections which reflect and will help to shape the digital environment.

#### ■ *Five Millionth Volume*

In February, the Libraries celebrated the acquisition of our five millionth volume, contained in a collection of 1,200 volumes of William Butler Yeats. The collection was given by the Hanes family of Winston-Salem, continuing a family tradition of donating each of the Library's milestone millionth volumes. The acquisition was facilitated by the creator and owner of the collection, Professor George Harper, former Chair of the UNC-CH English Department, who donated a significant portion of his related materials. The Yeats collection will add greatly to the Academic Affairs Library's growing strengths in Anglo-Irish literature.

#### ■ *Expanded Access to Electronic Information and Services*

The Libraries continued to extend access to electronic information in a variety of ways, including, but going well beyond, the purchase and licensing of information in electronic form. During the year, the Library began

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routinely adding Federal Government Documents to the online catalog, facilitating the retrieval and use of these unique resources. A "Borrower Self-Service" feature was introduced, permitting patrons to view their charged-out items and, in most cases, to renew them. A new interlibrary borrowing request program was implemented, allowing patrons to request and track items via a Web form.

#### ■ *Documenting the American South*

In April, the Academic Affairs Library's Documenting the American South digitization project (<http://ibiblio.unc.org/docsouth/>) was recognized by the Southeastern Library Network (SOLINET) as the "Outstanding Library Program" of 2000 in the Preservation and Electronic Information category. The DAS project brings Southern history, literature, and culture to the World Wide Web with contents which include the searchable full-text of over 600 monographs, along with images of illustrations, manuscript items, maps, currency, letters, broadsides, and other materials.

#### ■ *Support for Teaching and Learning*

Pursuant to the recommendations of a 1999 internal report, the Academic Affairs Library is expanding programming to increase support for campus teaching and learning needs. As the first major step toward realizing these goals, the Library created the new position of Coordinator for Instructional Services, who will provide leadership, direction, and planning in this area. The Coordinator for Instructional Services began work on September 1, 2000, and will collaborate with faculty and librarians to identify ways in which the Library can best help students and others learn to make effective use of the many resources available to them. Two new instructional labs were built in Davis Library this year, featuring 43 hands-on workstations. These facilities will improve the Library's instructional activities by providing a more interactive learning environment.

#### ■ *Development*

The Library's preliminary case statement outlining objectives for the University's upcoming Carolina First fundraising campaign incorporates four goals: to maintain our ranking on the Association of Research Libraries Index as the best general research library in the Southeast; to expand and enhance our special strengths in Southern resources; to create a new center of excellence in undergraduate library services by developing an innovative program that will be a model for the nation; and to improve and expand the collections and technolo-

gies to support existing and emerging science programs across the campus in concert with the Health Sciences Library. We will seek a total of \$35 million in funding to meet these objectives.

## GRADUATE STUDIES AND RESEARCH

Graduate Studies and Research is comprised of the Graduate School, the Odum Institute for Research in Social Science, the Office of Research Services, the Proposal Development Initiative, the Office of Technology Development, the Office of Information and Communications and the Office of Economic Development. The Office of the Vice Provost for Graduate Studies and Research oversees each of these units.

During 1999-2000, the University received a record \$376.5 million in grants and contracts, an increase of \$32 million over the previous year. The Office of Technology Development expanded its activities related to its mission of commercializing UNC-CH inventions. During 1999-2000, OTD filed over 76 U.S. patent applications, an increase of 25 percent over last year. In addition, 37 new U.S. patents were issued during the fiscal year. OTD also introduced a new electronic Materials Transfer Agreement and has seen a number of companies previously licensed through OTD reach important commercial milestones (e.g., Immtech International Inc, Hangers Cleaners, Inspire).

The Office of Research Services has taken the lead in developing the University's response to new rules for protection of Human Subjects and continued its steady progress toward electronic research administration with phase one of the Coeus system introduced on July 1, 2000.

Other highlights of the Office for Graduate Studies and Research include initiation of a cooperative efforts between the Office of Information and Communications and the Alumni Office which will result in over a threefold increase in individuals receiving copies of our research magazine, *Endeavors*. As a result of this initiative, all life members of the UNC General Alumni Association (GAA) will receive a copy of *Endeavors* along with regular copies of the *Alumni Magazine*. This will increase readership from approximately 9,000 to 34,000.

The Proposal Development Initiative continues to assist in bringing recognition to our faculty by nominating them

1999 - 2000

## Highlight

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for national awards. In 1999-2000, faculty at UNC-CH received the following awards that were initiated through the Proposal Development Initiative: William T. Grant Faculty Scholar award; Camille Dreyfus Teacher-Scholar Award; Pew Scholar Award; Carnegie Fellow Award; Ellison Medical Foundation New Scholar Award; Burroughs Wellcome Fund Innovation Award and Burroughs Wellcome Fund Career Award.

The Graduate School expanded support for graduate students in order to meet its mission of recruiting the most exceptional students to Chapel Hill. A new multidisciplinary top-up fellowship for students in social and human sciences was initiated with private funds. Funds for the Royster Society of Fellows have grown and as a result 32 students received Royster fellowships during the 1999-2000 academic year. In addition, the Graduate School has developed a series of courses and programs to provide professional development opportunities for graduate students.

Progress within the Odum Institute for Research in Social Science has included the appointment of a new director, Dr. Kenneth Bollen and new research initiatives related to the consequences of Hurricane Floyd.

## OFFICE OF SCHOLARSHIPS AND STUDENT AID

The Office of Scholarships and Student Aid concentrated its effort on improving systems and operations, streamlining delivery of aid and strengthening client services. In total, over \$106 million was awarded and delivered to over 11,000 undergraduate and graduate/professional students.

Staff spent considerable time assessing the projected impact of proposed 2000-2001 tuition and fee increases on needy undergraduate, graduate, and professional students. This process encompassed a comprehensive review of national literature on the effects of tuition increases on needy students nationally, and the application of those findings to UNC-CH students. As a result, the University reaffirmed its policy of "holding needy students harmless" from 2000-2001 tuition increases, dollar-for-dollar. Commitment to providing access to education for students who need financial assistance continues to be a priority, as evidenced by University policies and practice.

As part of the Carolina Computing Initiative, any student enrolling in 1999-2000 could borrow funding for the pur-

chase of a laptop at 6.32% interest — the same rate afforded students under subsidized federal need-based student loans. The computer loans were made available through Student Stores, and financed by the College Foundation, Inc. In the spring of 2000, staff notified nearly 1100 financial aid-eligible freshmen (class of 2004) that they would receive a laptop grant ranging from a minimum of \$500 to a maximum of \$2,300 to cover the cost of a laptop. The University provided the funding for the laptop grants, ensuring that needy students would not be harmed by the CCI requirement that all incoming freshmen own a laptop.

The Office contracted with Scannel and Kurz, Inc. for an evaluation of the effectiveness of financial aid packaging policies in attracting students of superior academic ability through the offer of both need-based and merit-based aid and scholarships. The findings of this study will be used in support of the University's current and long-range recruitment, retention and enrollment goals.

The Office significantly increased the number of National Merit Scholarship winners for a second year in a row. This increase was brought about by the University's decision in 1998 to enter the National Merit Scholarship Program as an institutional sponsor. The University pledged the proceeds of a major estate to fund this initiative; when fully phased in annual funding will total \$600,000. During the 1999-2000 academic year, 132 students received the National Merit Scholarship award, up 33% over the prior year.

Successful development efforts resulted in the availability of more academic scholarships. The addition of these academic scholarships enhances the University's ability to recruit and enroll the most talented students in the state and nation. Development efforts continue for academic scholarships, with the expectation that the number of available academic scholarships will continue to increase each year.

The Office benefited from a major renovation of Vance and Pettigrew Halls, which significantly improved the appearance of the office and the quality of services provided to students.

## INFORMATION TECHNOLOGY SERVICES

The University's Information Technology Services division implemented the highly successful Carolina Computing Initiative (CCI). This initiative creates an infra-

**T**he University's Information Technology Services division implemented the highly successful

Carolina Computing Initiative (CCI). This initiative creates an infrastructure that enables new instructional

models and new interactions between faculty and students.



structure that enables new instructional models and new interactions between faculty and students. Students are no longer tied to classrooms and libraries, but have access to faculty and instructional materials wherever they may be. The CCI continues to be ahead of schedule and slightly under budget. To date, the campus has purchased over 13,000 computers for faculty and staff through the IBM contract, resulting in substantial savings to the University. The Center for Instructional Technology's seminars helped faculty to create over 400 online course web pages for their classes, while over 3,100 CCI freshmen participated in Carolina Testing & Orientation Program Sessions (CTOPS) training. To support these technology users, a computer repair center was established in the Information Technology Response Center (ITRC), and a new call center service was installed for better management of incoming calls and to facilitate problem tracking and resolution. The ITRC uses the Remedy Problem Tracking System, which provides a way to record and track technical problems and allows us to generate statistics regarding the types of technical problems reported, and the resources required to address them. The system allows customers to report issues by telephone, internet, email, or in person.

The success of the CCI depends on a solid data communications infrastructure. The University has made significant progress in implementing a campus-wide utility model for data networking, from the wallplate to the Internet. ITS projects have improved network capacity throughout campus, provided wireless Internet connection capability to selected departments, classrooms, and libraries, provided Ethernet connections for every student in campus residence halls, and upgraded the connection to MCNC to provide higher speed and increased functionality to the North Carolina Research and Education Network (NCREN), the Internet and Internet2. The campus fiber optic network will continue to be reconfigured and expanded to meet demand.

ITS has expanded the critical services of electronic messaging, instructional technology, and research computing offerings, added web-based e-mail access, and implemented a significant Oracle database service to meet the demands for research and web database services, increasing the capacity of its mass storage facility from 7 to 125 terabytes. The Control Center now operates an on-line Service Monitoring System, tracking the UNC Data and Video Network and critical email, web, and research services systems 24 hours a day. The Control Center web site

(<http://control-center.oit.unc.edu>) keeps the UNC community informed of the status of essential computing services.

The Year 2000 Project Office worked diligently to ensure that all systems were year 2000 ready and that no hardware or software date problems would interfere with University business. These efforts were a complete success. There were no material interruptions in University services.

Information Technology is not only one of the driving factors in the "new economy," but it is also evident in many initiatives to re-engineer campus business processes. Information Technology in the process of education, implemented on this campus through the highly successful Carolina Computing Initiative (CCI), is only a part of the overall picture. This initiative creates opportunities for new instructional models and new interactions between faculty and students, but it also enables the University to improve processes that are crucial to the support of the learning process.

For example, the University is licensing the Coeus system from the Massachusetts Institute of Technology, to assist in the pre-award and post-award management of sponsored programs. The objective is to simplify and streamline award acquisition and administration throughout the university. Currently, university proposals are being tracked through Coeus. College of Arts and Sciences departments can use this application with computers distributed through the CCI.

Receipt of funding is only part of the equation in using sponsored research programs. In addition to the tools that Coeus will ultimately offer for post-award management, the University has made other strides in making timely information available to department managers. InDEPTH is a departmental management system designed to meet the specific financial needs of departmental managers at all levels. Managers can create and route documents for approval, post and receive notifications for information or required actions, view up-to-the-minute budget balances, develop and maintain budget projections, post cash entries, make payment requests and more. InDEPTH is fully integrated with the Financial Records System (FRS), eliminating duplication of data entry.

Since FRS is still a core part of the University's Information Technology architecture, we use technological advancements such as the CCI to help improve both the usability and timeliness of its information. E~Print is

1999 – 2000

## Highlight

**T**he Year 2000 Project Office worked diligently to ensure that all systems were year 2000 ready and that no

hardware or software date problems would interfere with University business. These efforts were a complete

success. There were no material interruptions in University services.

a new software product that enables the University to distribute reports via the Web. The Web presentation of these reports eliminates the need to print the reports, usually 40,000 to 50,000 pages for monthly reports alone. The e~Print product uses FRS value-based security to enable viewing of financial reports by only those authorized to see the data, and defines more general access to commonly available reports. If needed, e~Print reports on the Web can be printed on the customer's local printer.

Improvements in delivery of information are now supplemented with the ability to take electronic action to efficiently use financial resources. The FRS Inbox application allows users to send an electronic request for Flexible Budget Transfer (FBT) from their department through a number of approvals to the Budget Office, which can approve it, so that the transactions needed for that transfer are automatically posted in FRS. For any person on campus who has been defined to the system, the Inbox shows the list of forms either waiting for their approval, or that they have created. The routing path (i.e., the different approvals a form must pass) can be set by the various Deans or Vice Chancellors and maintained by Financial Systems Support. Once defined, all FBTs are routed sequentially down the set path with the exception that an approver may be skipped if specific predetermined criteria are met. For example, a Dean may opt not to see/approve FBTs that involve non-personnel salary accounts. This is accomplished by attaching business rules to each department in the approval routing path/hierarchy.

## OFFICE OF UNIVERSITY ADVANCEMENT

Carolina donors gave the University \$165.7 million in gifts and private grants for the benefit of the University in fiscal year 1999–2000, making it the best fund-raising year in Carolina's 207-year history. The fiscal 2000 tally is up 12 percent from 1999's total, and it marks the ninth straight record-breaking year for private giving to Carolina. The University has now topped \$100 million in gifts and private grants for four consecutive years.

The changing landscape of higher education makes private gifts more critical than ever to maintaining excellence, and Carolina's strong network of alumni, friends, employees and students are answering the call. More than 57,000 donors contributed to the University in fiscal year 1999–2000. Of the \$165.7 million total, 91 percent — \$151.7 million — was designated for academics, while athletic programs received \$14 million.

Carolina encourages donors to direct their support to schools, programs and research initiatives that are personally meaningful. The gifts come in many forms, including cash, stock, property, trusts, annuities, bequests and endowment gifts.

In fiscal year 1999–2000, Carolina's total endowment crossed the \$1 billion milestone, putting the University in elite company nationwide. Endowment funds are important to Carolina because they provide a reliable and permanent source of support for students, faculty and programs.

The impact of private giving resonates throughout the campus. It enhances the University's intellectual climate by providing an advantage in recruiting and retaining the best faculty and the brightest students. It supports groundbreaking research in medicine and the sciences. It even funds construction of new learning spaces on campus. Private gifts enrich the Carolina experience, creating a margin for excellence otherwise unachievable.

Fiscal year 1999–2000 produced a shining example of philanthropy's power. Julian and Josie Robertson gave \$24 million to Carolina and Duke University to establish a pioneering new scholarship program in the two schools. Their gift, the largest ever by living individual donors to Carolina, creates a collaborative program that will recruit and support extraordinary undergraduate students who will study at both campuses. The Robertson Scholars will be expected to cross historical barriers and forge new links between the universities. Julian Robertson, who grew up in Salisbury and earned a business degree from Carolina in 1955, is a legendary stock picker and former hedge-fund manager in New York. The Robertsons have one son who graduated from Duke and another currently enrolled at Carolina.

For the 1998–1999 fiscal year—the latest for which comparative figures are available for all U.S. research universities—Carolina ranked 24th in total gifts and private grants among the nation's leading research universities, including both public and private institutions. Carolina has steadily improved its ranking over the last decade, making substantial gains in a highly competitive environment.

The University's fund-raising successes have earned high praise from the Council for the Advancement and Support of Education (CASE), an international association that promotes support for education. CASE recognized Carolina with its Circle of Excellence Award for Overall Fund-raising Performance in 1999, distinguishing Carolina

**G**ifts for undergraduate scholarships totaled \$17.8 million in fiscal year 1999–2000 — an increase of more

than 150 percent from 1998–1999. (The \$12 million gift from Julian and

Josie Robertson accounts for much of this increase.)



as the only six-time winner among public universities. Harvard and Duke are the only private institutions to have won the award six times.

In fiscal year 1999-2000, 44,950 Carolina alumni (23 percent) gave back to the University. A record number of donors—2,989—made Chancellors' Club-level gifts to Carolina. The total reflects a 6 percent increase over fiscal year 1998-1999's record-breaking total, and it includes an 8 percent increase in young alumni members of the Chancellors' Club to 444. Young alumni are Tar Heels within 15 years of graduation (classes of 1986 through 2000). As potential fund-raising leaders and donors, they are vital to Carolina's future and are encouraged to give annually. Young alumni can join the Chancellors' Club at special gift levels, beginning with a \$250 gift for alumni within 5 years of graduation and rising to \$1,000 for alumni 10 to 15 years out of school. Fiscal year 2000 was the fifth full year of operation for the young alumni giving program, and more than 9,200 young alumni gave \$1,249,166.

Corporations, foundations and organizations made gifts and grants to the University totaling \$90.4 million for academic purposes in fiscal year 2000. This marks a 16 percent increase over fiscal year 1999. The Class of 2000 senior gift campaign generated \$35,813 from 952 class members and parents. Seniors chose to support a variety of schools and units with their gifts, but the majority of these gifts were designated to create the Class of 2000 Senior Room in the expanding Frank Porter Graham Student Union.

Carolina's web site is an emerging vehicle for giving to Carolina. In fiscal year 1999-2000, more than 200 alumni, students and friends used the University's web site to make credit card gifts. Gifts made over the web in fiscal year 1999-2000 totaled \$38,360 -- an increase of more than 200 percent over fiscal year 1998-1999. Parents of Carolina students gave \$15.8 million to the University in fiscal year 1999-2000. Of that total, Carolina alumni parents Julian and Josie Robertson gave \$12 million, and other alumni parents made gifts totaling \$2.1 million. Non-alumni parents gave \$1.7 in fiscal year 1999-2000. The University's development program for parents is now entering its third year of operation. In each of its first two years, the program has generated dramatic increases in giving by parents.

Active and retired faculty and staff are generous donors to the University. In fiscal year 1999-2000, almost 2,000

employees gave more than \$1 million to benefit a wide range of departments, schools and units. In fiscal year 1999-2000, the phonathon's student callers contacted 69,663 people, receiving 33,599 pledges totaling \$1,940,084. More than 250 student callers worked for the phonathon in 2000, making it one of the largest student employers on campus. The phone program combined with the mail program to generate nearly \$4 million for Carolina -- a 9 percent increase over the programs' totals in fiscal year 1998-1999.

The University received \$7.2 million from 47 estates in fiscal year 1999-2000. The University booked life-income gifts with a fair market value of \$5.9 million. Life-income gifts include gift annuities and charitable remainder trusts, arrangements by which donors give an asset now but receive income, based on the asset's value, for the rest of their lives. Upon the income beneficiary's death, Carolina uses the gift for the purpose the donor specified. Fiscal year 1999-2000 heralded the kick-off of Carolina's bequest program, resulting in a dramatic increase of documented bequests.

Tar Heels across the nation were generous in fiscal year 1999-2000, and many regions posted increases in giving. About 300 volunteer National Development Council and Chancellors' Club members organized, hosted and attended many events from New York to Los Angeles and points in between, including Chancellors' Club events and the NDC annual meeting in Chapel Hill. To increase contact with Carolina's alumni and friends across the nation, the regional giving program added three major-gifts officers to their ranks in fiscal year 1999-2000.

In fiscal year 1999-2000, 557 Carolina alumni and friends made gifts of stock to the University totaling \$18.6 million -- a 25 percent increase over fiscal year 1998-1999's total. The last decade has fostered a rising trend of stock gifts to Carolina. Many Chancellors' Club members make their annual gifts via stock. Many donors also use stock to make major gifts or installments on major gift pledges.

Gifts for undergraduate scholarships totaled \$17.8 million in fiscal year 1999-2000 -- an increase of more than 150 percent from 1998-1999. (The \$12 million gift from Julian and Josie Robertson accounts for much of this increase). Gifts for graduate fellowships totaled \$4.7 million in fiscal year 1999-2000. Gifts for professorships increased 25 percent from fiscal year 1998-1999. Fiscal year 1999-2000's \$10.2 million total reflects a new focus on endowed professorships spurred in recent years by the

1999 - 2000

## Highlight

**T**he 2000 General Assembly placed a \$3.1 billion higher education improvement bond referendum on the November ballot.

Thanks to the generous support of state voters -- more than 70 percent endorsed the referendum -- the University will receive nearly \$500

million in bond money over six years to help us begin to address our capital needs.

state of North Carolina's matching funds provided through the Distinguished Professors Endowment Trust Fund.

Capital gifts -- gifts for buildings and long-lived equipment -- totaled \$12.9 million in fiscal year 1999-2000.

Highlights of the year include the rededication of Graham Memorial as the home of the Johnston Center for Undergraduate Excellence, a project funded entirely by private gifts, and the groundbreaking for a new Institute for Arts and Humanities building, also funded privately.

## STUDENT AFFAIRS

Carolina's efforts to enhance its intellectual climate extended well outside the classroom and into the Student Affairs arena. Freshmen and transfer students, for example, participated in a new summer reading program to give them a common basis of discussion. Freshmen also had the opportunity be part of the new First-Year Initiative Living-Learning Program. Some 150 students opted to live in designated housing that featured special programming to introduce them to the academic and local communities in small groups led by Faculty Associates. Feedback from both efforts was overwhelmingly positive.

As the university prepared for an anticipated influx of new students over the next decade, Student Affairs focused on where to house them. Planning moved forward for construction of four new low-rise residence halls, a \$42 million project on the southern part of campus, slated to open in fall 2002.

A step ahead of the residence hall project is the expansion and renovation of the Frank Porter Graham Student Union. The more than \$13 million project, which broke ground in the spring, will more than double office space for student organizations by adding 38,000 square feet to the Union. The existing 80,000-square-foot facility also will be renovated after the new addition is completed.

■ Alcohol education continued to be a Student Affairs focal point. In August we announced the results of a first-in-the-nation breathalyzer study involving 1,800 UNC-CH students returning home to both on and off campus student housing between 10 pm and 2 am. . The study, conducted by the UNC Highway Safety Research Center, found that on average nearly three-quarters of students returning home had no alcohol in their bloodstream -- debunking popular misperceptions of the prevalence of

student drinking. The results were used in a promising new alcohol intervention technique called social norming, designed to acquaint new students with actual rates of alcohol use, since students generally perceive use of alcohol to be about 20% higher than it actually is. .

Students also reaped the benefits of the new Counseling and Psychological Services, part of Student Health Services. Created by combining the former University Counseling Center and Student Psychological Services, the new program offers more efficient one-stop service.

## ADMINISTRATION

The University undertook a review of its budget practices to identify campus-wide priorities and to refine the budget process to reflect these goals. The result is a much clearer, more understandable and responsive system that worked well as we planned for the 2000-2001 budget year and the legislative session for the 2001-2003 biennium.

Business and finance and government relations officials spent a great deal of time on Carolina's capital needs. When the 1999 General Assembly did not reach consensus on a plan to help the state's public universities and community colleges finance renovations, repairs and new construction, the University began to more extensively document our needs and share them with the public and our legislators. Consultant Eva Klein, hired by the legislature to review facilities needs for UNC system campuses, cited some \$1.5 billion in capital needs at our campus alone.

The 2000 General Assembly placed a \$3.1 billion higher education improvement bond referendum on the November ballot. Thanks to the generous support of state voters -- more than 70 percent endorsed the referendum -- the University will receive nearly \$500 million in bond money over six years to help us begin to address our capital needs.

As the University considered renovations to its existing facilities and construction of new ones, we also moved forward with our campus master-planning effort. The plan, which will guide future development on the main campus, is scheduled for presentation to the Board of Trustees for approval in January 2001. On a related matter, a special task force continued to explore potential uses of some 950 undeveloped acres at the Horace Williams property. Future development of this land will

**A**s a recipient of federal financial awards, the University is responsible for ensuring compliance with all

applicable laws and regulations relating to such assistance. A combination of State and University policies and

procedures, integrated with the University's system of internal controls, provides for this compliance.

play a major role in complementing the core academic activities on the main campus.

Pedestrian safety on campus became a focus after the tragic death of a post-doctoral fellow last fall. A committee chaired by University Police Chief Derek Poarch worked with representatives from the N.C. Department of Transportation and the Town of Chapel Hill and others to identify ways to make the campus safer for pedestrians. Increased signage, signalized crosswalks and traffic islands are among the many improvements being implemented. In addition, our Public Safety Department received a three-year grant to create a squad dedicated to pedestrian safety. Also, a pedestrian safety committee was created to continue to monitor this issue and to recommend future steps.

In December, after a three-year examination, the University successfully concluded a comprehensive audit by the Internal Revenue Service, part of a broader review of U.S. universities.

Our Division of Human Resources spent much of the year preparing and implementing the first phase of a new human resource information system, which will improve processing and reporting of information about staff and faculty. Human Resources also managed significant personnel changes related to the creation of the UNC Health Care System. In the past year, some 750 employees were moved from the University's payroll to that of the Health Care System, completing organizational changes approved by the 1998 General Assembly.

I'm pleased to report that thanks to extraordinary planning by our Information Technology and Physical Plant staffs, Carolina smoothly sailed into the year 2000 with no technical glitches. Our technology staff did an outstanding job negotiating a cost-saving new software licensing agreement with Microsoft. The agreement is expected to save the University more than \$100,000 per year and benefit at least 10 other UNC system schools.

The University also was delighted with the addition of the Carolina Inn to the National Register of Historic Places in recognition of its historic and architectural significance.

## ATHLETICS

Our athletic program finished in the top 10 in the annual Sears Directors' Cup competition for overall athletic excellence for the sixth time in seven years. We finished

in fifth place, just a point behind Penn State and 2.5 points ahead of Nebraska.

The Carolina men's basketball team reached the NCAA Final Four for the sixth time in the last 10 years. Head Coach Bill Guthridge also announced his retirement in late June.

The women's soccer team won its 16th national championship in the past 19 years. The Carolina team now has won 29 national championships.

The Tar Heels also won Atlantic Coast Conference championships in women's soccer, women's cross country, volleyball, women's swimming and diving, women's indoor track and field, and wrestling. Carolina tied with Duke to lead the ACC in 1999-2000 with six conference titles each, marking the 13th successive year we won or tied for the number of ACC championships. We have won 215 championships, more than any other school in the conference.

Our student-athletes also preformed as well in the classroom. Two hundred and forty were named to the 1999-2000 ACC Academic Honor Roll for maintaining a grade-point average of 3.0 for the school year. UNC-CH ranked second in the number of students on the list.

## Financial Information

### INTERNAL CONTROL STRUCTURE

The Business and Finance Division of the University is responsible for establishing and maintaining an effective system of internal control. The objectives of an internal control structure are to provide management with reasonable, although not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with appropriate authorization and recorded properly in the financial records to permit the preparation of financial statements in accordance with generally accepted accounting principles. Accordingly, organizational structure, policies, and procedures have been established to safeguard assets, ensure the reliability of accounting data, promote efficient operations, and ensure compliance with established governmental laws, regulations and policies, University policies, and other requirements of sponsors to whom the University is accountable.

1999 – 2000

### Highlight

**O**ur athletic program finished in the top 10 in the annual Sears Directors' Cup competition for overall

athletic excellence for the sixth time in seven years. We finished in fifth place,

just a point behind Penn State and 2.5 points ahead of Nebraska.



As a recipient of federal financial awards, the University is responsible for ensuring compliance with all applicable laws and regulations relating to such assistance. A combination of State and University policies and procedures, integrated with the University's system of internal controls, provides for this compliance. As an integral part of the State of North Carolina's Single Audit, the University undergoes an annual examination by the Office of the State Auditor of its federal financial assistance programs in accordance with U. S. Office of Management and Budget Circular A-133, Audits of State and Local Governments.

### BUDGETARY CONTROLS

The University is responsible for controlling its budget and using the funds to fulfill its educational and other missions and also for planning, developing, and controlling budgets and expenditures within authorized allocations and in accordance with University, State, and federal policies and procedures. The University maintains budgetary controls to ensure compliance with provisions embodied in the annual appropriated budget approved by the North Carolina General Assembly. Project-length financial plans are adopted for capital projects.

After the budget has been approved by the Chancellor and the Board of Governors, the University follows an established system of budgetary controls. Business and Finance issues periodic interim budget statements to department heads to guide them in managing their budget allocations. Monthly financial reports are provided on each fund to individual managers responsible for the fund. Financial reports are also provided at the State level. When actual conditions require changes to the budget, revisions are prepared, and these revisions are appropriately approved and communicated to those affected. Changes to the budget are approved at the University level and/or the State level as required. Based on the State's management flexibility legislation, the University has received delegated authority for designated budget changes.

The University maintains an encumbrance accounting system as another method to ensure that imposed expenditure constraints are observed.

A quarterly budget status report is presented to the Board of Trustees. The report compares the revenue and expenditure budgets with actual activity at a summary level for the current year and the prior year.

### CURRENT FUNDS REVENUES AND EXPENDITURES

In fiscal 2000, the University expended \$1.26 billion fulfilling its mission of instruction, research, and public service. Approximately 55.6% of the total expenditures supported the instruction and research missions of the University including the academic and student support functions. Expenditures for the professional clinical services which are self-supporting operations providing medical, dental, and other health care were 12.4% of the total.

Other uses of operating resources were for public service (7.1%); institutional support (3.8%); plant maintenance and operations (5.5%); student financial aid (4.0%); and self-supporting auxiliary and related operations (10.1%). Mandatory and other transfers, and refunds to grantors accounted for the remainder (1.5%).

Total expenditures of \$1.26 billion represent an increase of 5.7% over the prior year. Instruction, academic support, and student services increased 5.9% over the prior year while organized research increased 6.6%. Other increases included student financial aid (12.5% increase over prior year), public service (4.5% increase over prior year), professional clinical services (17.6% increase over prior year), auxiliary enterprises / internal service (5.2% increase), and plant maintenance and operations (6.1% increase from the prior year), while institutional support expenditures decreased by 17.1%.

Resources of more than \$1.29 billion supporting these expenditures increased 6.5% over the prior year, which resulted in a \$32.8 million increase to the Current Funds balances. The University has a diversified revenue base as the largest single source comprises less than one-third of the resources generated. State appropriations were the largest single revenue source for fiscal year 2000 (29.5% of total, 0.2% increase over prior year). Remaining revenue sources were tuition and fees (9.3% of total, 10.1% increase), governmental contracts and grants (24.7% of total, 8.3% increase), sales and services and other sources (24.9% of total, 10.2% increase), nongovernmental contracts and grants (4.4% of total, 3.8% increase), gifts and bequests (4.1% of total, 24.1% increase), and investment and endowment earnings (3.1% of total, 0.4% decrease).

The student headcount of the University was 24,635 for the Fall

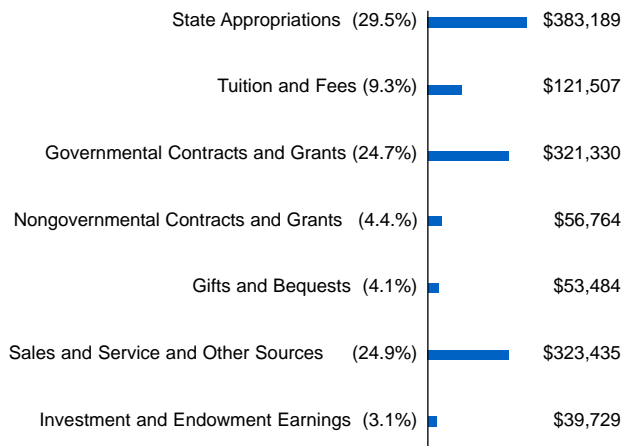
semester of fiscal 2000. Student enrollment has remained stable over

the last five years, increasing 0.7%.

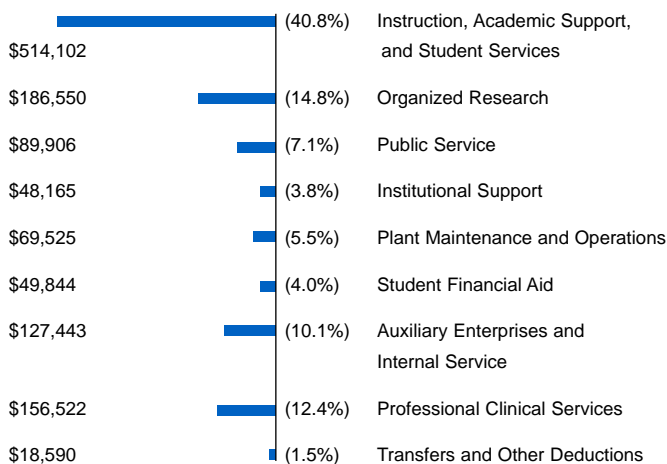
## CURRENT FUNDS

For the year ended June 30, 2000 (in thousands)

**Sources \$1,299,438**



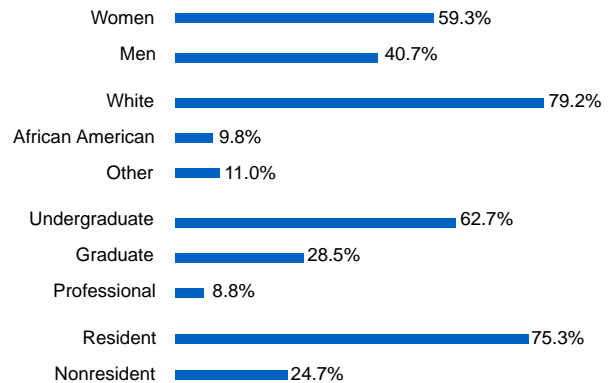
**Uses \$1,260,647**



Resources of proprietary funds, which include auxiliary enterprise, internal service, and professional clinical service activities, totaled \$321.4 million. The remaining current funds resources of \$978.0 million support the educational and general activities of the University and are summarized as follows (in thousands):

Educational and General	Amount	% of Total
State Appropriations	\$383,189	39.2 %
Tuition and Fees	121,507	12.4 %
Governmental Contracts and Grants	321,330	32.9 %
Nongovernmental Contracts and Grants	56,764	5.8 %
Gifts and Bequests	52,335	5.3 %
Sales and Services and Other Sources	11,797	1.2 %
Investment and Endowment Income	31,124	3.2 %
<b>Total</b>	<b>\$978,046</b>	<b>100.0%</b>

The student headcount of the University was 24,635 for the Fall semester of fiscal 2000. Student enrollment has remained stable over the last five years, increasing 0.7%. Student enrollment for fiscal 2000 was composed of the following categories:



## FUND ACCOUNTING

In order to ensure observance of limitations and restrictions placed on the resources available to the University, the accounts of the university are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with the activities or objectives specified. Separate accounts are maintained for each fund; however, in the accompanying comprehensive

1999 – 2000

## Highlight

Fiscal year 1999-2000 produced a shining example of philanthropy's power. Julian and Josie Robertson

gave \$24 million to Carolina and Duke University to establish a pio-

neering new scholarship program in the two schools.



annual financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group. The University's self-balancing fund groups are as follows:

**Current Funds**—include all unrestricted and restricted resources which are available for the operating purposes of performing the primary missions of the University. Current Funds are considered unrestricted unless restrictions imposed by the donor or other external agency are so specific that they substantially reduce the University's flexibility in their utilization. Proprietary Funds reflecting the operations of the student stores, dormitories, and other auxiliary enterprises and internal service funds are shown separately from other Unrestricted Funds. Receipts that are restricted are recorded as additions to Restricted Fund balances and recognized as revenue to the extent that such funds are expended for restricted purposes during the current fiscal year.

**Fiduciary Funds**—include Loan Funds, Endowment and Similar Funds, and Agency Funds. Loan Funds include resources received from donors, governmental agencies, and mandatory institutional matching grants which are restricted for use in making student loans. Endowment and Similar Funds are further categorized as Endowment Funds, Term Endowment Funds, Quasi-endowment Funds, and Annuity and Life Income Funds. Endowment Funds are subject to restrictions of gift instruments whereby principal is invested and only income is utilized. Term Endowment Funds are similar to Endowment Funds, except that all or part of the principal may be used after a stated period of time or on the occurrence of a certain event. Quasi-endowment Funds have been established by the governing board for the same purposes as Endowment Funds, and any portion of Quasi-endowment funds may be expended. Annuity and Life Income Funds are received by the University under deferred-giving agreement contracts that provide income to the donor and/or the donor's designee for life or for a fixed period of time. At the termination of the contracts, the funds become available for general institutional purposes or for any restricted purpose designated by the donor in the contract. Agency Funds are those funds of students and organizations held by the University as custodian. The transactions of the Agency Funds do not result in any revenue or expenditures for the University; therefore, these funds are not shown in the statement of changes in fund equity.

**Plant Funds**—include Unexpended Plant Funds, Debt Service Funds, and Investment in Plant Funds. Unexpended Plant Funds account for the resources utilized to finance the acquisition of long-life assets and to provide for routine renewal and replacement of existing plant assets. Debt Service Funds account for resources specifically accumulated for interest and principal payments, debt service reserve funds, and other debt related charges. Investment in Plant Funds account for all long-life assets of the University, construction in progress, and related debt for funds borrowed and expended for the acquisition of Plant Fund assets.

## DEBT ADMINISTRATION

The University of North Carolina at Chapel Hill has \$285 million of revenue bonds outstanding at June 30, 2000. The bonds were issued to finance the construction and/or renovation of student housing facilities, student union facilities, parking facilities, football stadium expansion, dining facilities, student recreation facilities, utilities systems, ambulatory patient care facilities, hotel facilities, dental clinic facilities and a facility to be leased to the United States Environmental Protection Agency. The bonds are payable both as to principal and interest from the net revenue generated by the operations of the aforementioned facilities and are consistently rated in the AA and AAA categories by Standard and Poor's Corporation.

## CASH MANAGEMENT

The cash management plan of the University addresses control of receipts, management of disbursements, and investment of funds to maximize earnings on the investment of cash. State law requires that State appropriated funds be deposited with the State Treasurer with investment earnings accruing to the State. Many other current funds, loan funds, and unexpended plant funds are not appropriated by the State but must be deposited with the State Treasurer with investment earnings accruing to the University. Endowment, debt service, and designated other funds are invested by the University in accordance with its investment policies.

The University administers a short-term investment pool for funds not required to be on deposit with the State Treasurer. The investment pool is administered in conjunction with cash receipts and disbursing requirements to minimize idle cash and to generate current income without loss of capital at a rate of return comparable to

the North Carolina State Treasurer. The University uses the State's cash management control system to improve cash flow by electronically recording cash receipts and disbursements for funds deposited with the State Treasurer.

## RISK MANAGEMENT

The University is exposed to various risks of loss related to property and employees. These risks are addressed in several ways, including participation in various State-administered risk pools, purchase of commercial insurance, and self retention of certain risks. Refer to Note 12 of the Notes to the Financial Statements for more detailed information concerning the University's risk management program.

## Other Information

### AUDITS

State law, federal guidelines, and certain bond covenants require that the University's accounting and financial records be audited by the Office of the State Auditor each year. Additionally, the University's Internal Auditors perform fiscal, compliance and performance audits. The reports resulting from these audits are shared with University management.

The audit of the University's federal financial assistance programs is performed by the Office of the State Auditor in conjunction with the statewide Single Audit. The accounting and financial records of The University of North Carolina at Chapel Hill Foundation, Inc. and of the Athletic Department are each audited by a public accounting firm in addition to the State Auditor review.

All of the audit reports are available for public inspection.

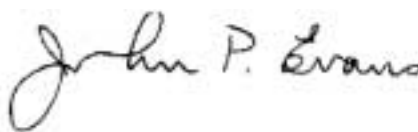
## CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to The University of North Carolina at Chapel Hill for its comprehensive annual financial report for the fiscal year ended June 30, 1999. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

## ACKNOWLEDGMENTS

Preparation of this Comprehensive Annual Financial Report in a timely manner would not have been possible without the coordinated efforts of the University community, with special assistance from the Chancellor's Office, the Provost's Office, Academic Affairs, Health Affairs, Graduate Studies and Research, Student Affairs, Information Technology Services, University Advancement, Public Relations, the Office of Scholarships and Student Aid, the Department of Athletics, and Dr. James F. Smith, Professor of Finance in the Kenan-Flagler Business School. In addition, the Office of the State Auditor provided invaluable assistance.



John P. Evans  
Interim Vice Chancellor for Finance and Administration



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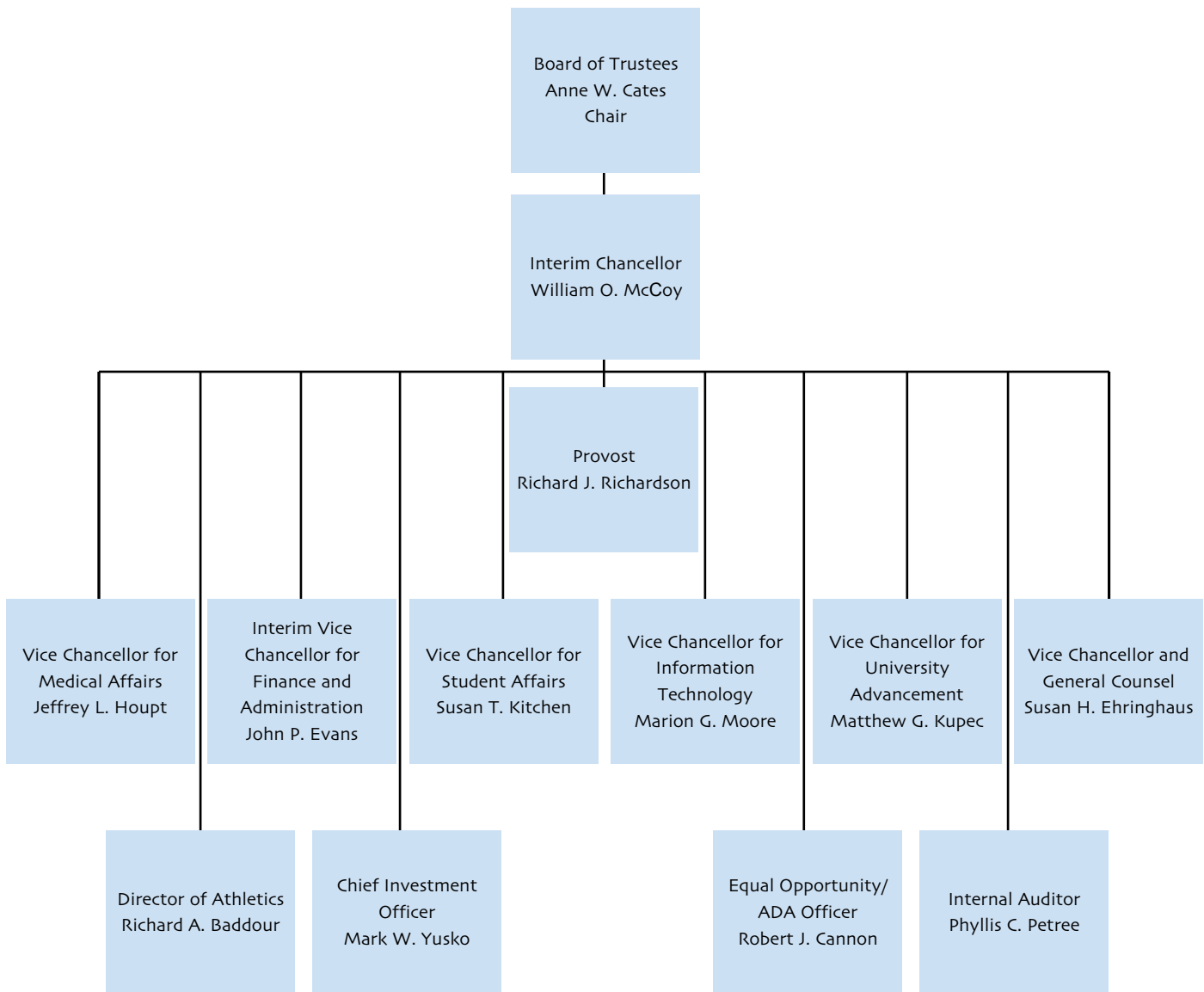
**Richard J. Richardson**

Provost



## Organization Chart

The University of North Carolina at Chapel Hill



# Certificate of Achievement for Excellence in Financial Reporting

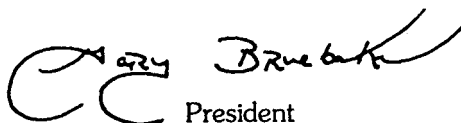
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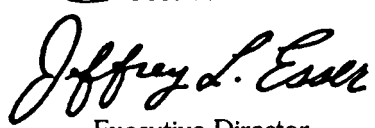
The University of  
North Carolina at  
Chapel Hill

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 1999

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



  
President

  
Executive Director

# 2000

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## Financial Section





Ralph Campbell, Jr.  
State Auditor

STATE OF NORTH CAROLINA  
**Office of the State Auditor**

2 S. Salisbury Street, Raleigh, NC  
Mailing Address: 20601 Mail Service Center  
Raleigh, NC 27699-0601  
Telephone: (919) 807-7500  
Fax: (919) 807-7647  
Internet <http://www.osa.state.nc.us/osa>

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**INDEPENDENT AUDITOR'S REPORT**

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Board of Trustees  
The University of North Carolina at Chapel Hill  
Chapel Hill, North Carolina

We have audited the accompanying Balance Sheet of The University of North Carolina at Chapel Hill, a component unit of the State of North Carolina, as of June 30, 2000, and the related Statement of Changes in Fund Equity and Statement of Current Funds Revenues, Expenditures, and Other Changes for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The University of North Carolina at Chapel Hill as of June 30, 2000, and the changes in fund equity and the current funds revenues, expenditures, and other changes for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 16 to the financial statements, the University changed its method for recording appreciation on Endowment Fund investments to report them as part of quasi endowment fund equity.

The introductory and statistical sections, identified in the table of contents, were not audited by us, and accordingly, we do not express an opinion thereon.

A handwritten signature in cursive script that reads "Ralph Campbell, Jr.".

Ralph Campbell, Jr.  
State Auditor

October 31, 2000







## Balance Sheet

June 30, 2000 (in thousands)

	Current Funds		
	General	Unrestricted Proprietary	Restricted
<b>Assets</b>			
Cash and Cash Equivalents (Note 1E and 2)	\$66,661	\$76,078	\$112,265
Investments (Note 1F and 2)	11,369	106,751	44,955
Accounts Receivable (Net) (Note 1H)	5,765	28,967	8,673
Intergovernmental Receivables		503	27,922
Interest Receivable	2,882	722	292
Other Receivables			11,164
Due from Other Funds	42,683		
Due from Other UNC Entities		1,448	314
Due from Primary Government	1,596		4,216
Notes Receivable (Net) (Note 1H)			
Inventories (Note 1I)	1,540	15,446	3
Prepaid Items	62	65	6
Land and Improvements			
Furniture and Equipment			
Buildings and Fixed Equipment			
Other Structures and Improvements			
Artworks and Literature			
Construction-In-Progress			
State Treasurer's Securities Lending Collateral	22,076	31,689	54,808
<b>Total Assets</b>	<b>\$154,634</b>	<b>\$261,669</b>	<b>\$264,618</b>
<b>Liabilities and Fund Equity</b>			
<b>Liabilities</b>			
Accounts Payable	\$4,248	\$11,836	\$7,089
Accrued Payroll	10,554	5,454	4,995
Arbitrage Rebate Payable			
Other Payables	10	284	
Due to Other Funds	474	21,585	32,143
Due to Other UNC Entities	8	61	171
Due to Primary Government	6	188	11
Notes Payable (Note 8)			
Bonds Payable (Note 8)			
Interest Payable			
Deposits Payable	6,324	457	
Accrued Vacation Leave	19,697	11,089	11,220
Deferred Revenue	2,517	5,378	15
Obligations Under Reverse Repurchase Agreements	2,659	11,455	6,224
Liabilities Under State Treasurer's Securities Lending Agreements	22,076	31,689	54,808
Funds Held in Trust for Pool Participants			
Funds Held for Others			
<b>Total Liabilities</b>	<b>68,573</b>	<b>99,476</b>	<b>116,676</b>
<b>Fund Equity</b>			
Net Investment in Plant			
U.S. Government Grants Refundable			
Endowment			
Quasi Endowment - Unrestricted			
Quasi Endowment - Restricted			
Annuity and Life Income Funds			
Renewal and Replacement			
Retirement of Indebtedness			
Restricted			147,942
Unrestricted	86,061	162,193	
<b>Total Fund Equity</b>	<b>86,061</b>	<b>162,193</b>	<b>147,942</b>
<b>Total Liabilities &amp; Fund Equity</b>	<b>\$154,634</b>	<b>\$261,669</b>	<b>\$264,618</b>

The accompanying notes are an integral part of the financial statements.

Fiduciary Funds			Plant Funds		
Loan	Endowment & Similar Funds	Agency	Unexpended	Debt Service	Investment in Plant
\$7,790	\$2,610	\$28,691	\$91,939	\$2,563	
2,195	750,321	343,646	2,050	25,921	
29	302		184	1	
				21,507	
31,648					
				1,031	
					\$8,402
					175,746
					900,884
					70,352
					228,024
					113,778
4,194		1,472	15,128	1,380	
\$45,856	\$753,233	\$373,809	\$109,301	\$52,403	\$1,497,186
	\$4,563		\$11,980		
			517		
	3,773		9,988		
			4,338		\$14,827
			11,769	\$18,796	254,415
				3,742	
\$4,194	17,099	\$15,972	15,128	1,380	
		1,472			
		355,744			
		621			
4,194	25,435	373,809	53,720	23,918	269,242
28,939					1,227,944
	209,784				
	121,441				
	371,768				
	24,805				
				6,265	
				14,224	
12,271			53,753	1,271	
452			1,828	6,725	
41,662	727,798	0	55,581	28,485	1,227,944
\$45,856	\$753,233	\$373,809	\$109,301	\$52,403	\$1,497,186

## Statement of Changes in Fund Equity

Year Ended June 30, 2000 (in thousands)

	Current Funds		
	Unrestricted		Restricted
	General	Proprietary	
<b>Revenues and Other Additions</b>			
State Appropriations	\$383,189		
Tuition and Fees	121,507		
Federal Contracts and Grants	61,124		\$274,075
State Contracts and Grants	3,091		45,388
Nongovernmental Contracts and Grants	4,784		60,456
Gifts and Bequests	1,835	\$1,149	42,413
Investment Income	10,014	8,605	2,631
Endowment Income	5,934		6,659
Sales and Services	5,599	302,330	
Expended for Plant Facilities			
Retirement of Indebtedness			
Other Revenues and Additions	6,198	9,308	5,040
<b>Total Revenues and Other Additions</b>	<b>603,275</b>	<b>321,392</b>	<b>436,662</b>
<b>Expenditures and Other Deductions</b>			
Educational and General	583,321		374,771
Auxiliary Enterprises		121,969	
Internal Service Funds		5,474	
Professional Clinical Services		156,522	
Indirect Costs Recovered			67,841
Refunded to Grantors			668
Administrative and Collection Costs,			
Loan Cancellations and Bad Debts			
Expended for Plant Facilities			
Retirement of Indebtedness			
Interest on Indebtedness			
Disposal of Plant Facilities			
Refund of Prior Years State Appropriations			
Other Expenditures and Deductions			
<b>Total Expenditures and Other Deductions</b>	<b>583,321</b>	<b>283,965</b>	<b>443,280</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>19,954</b>	<b>37,427</b>	<b>(6,618)</b>
<b>Transfers—Additions (Deductions)</b>			
Mandatory Transfers	(502)	(27,118)	
Non-Mandatory Transfers	5,781	(13,206)	17,123
<b>Net Transfers In (Out)</b>	<b>5,279</b>	<b>(40,324)</b>	<b>17,123</b>
<b>Net Increase (Decrease) in Fund Equity</b>	<b>25,233</b>	<b>(2,897)</b>	<b>10,505</b>
<b>Fund Equity July 1, 1999</b>	<b>60,828</b>	<b>165,090</b>	<b>137,437</b>
<b>Fund Equity June 30, 2000</b>	<b>\$86,061</b>	<b>\$162,193</b>	<b>\$147,942</b>

The accompanying notes are an integral part of the financial statements.



Fiduciary Funds		Plant Funds		
Loan	Endowment & Similar Funds	Unexpended	Debt Service	Investment in Plant
		\$23,674		
\$6	\$24,692	7,794		\$8,882
1,320	137,599	1,211	\$851	164
33	821			
				86,118
				13,547
77	2,687	20		
1,436	165,799	32,699	851	108,711
723				
		62,189		
			13,547	
			14,859	
				17,370
		11,397		
	6,555			
723	6,555	73,586	28,406	17,370
713	159,244	(40,887)	(27,555)	91,341
28		180	27,412	
76	(19,392)	9,618		
104	(19,392)	9,798	27,412	0
817	139,852	(31,089)	(143)	91,341
40,845	587,946	86,670	28,628	1,136,603
\$41,662	\$727,798	\$55,581	\$28,485	\$1,227,944

# Statement of Current Funds Revenues, Expenditures and Other Changes

Year Ended June 30, 2000

(in thousands)

	General	Unrestricted Proprietary	Total	Restricted	Total Current Funds
<b>Revenues</b>					
State Appropriations	\$383,189		\$383,189		\$383,189
Tuition and Fees	121,507		121,507		121,507
Federal Contracts and Grants	61,124		61,124	\$215,424	276,548
State Contracts and Grants	3,091		3,091	41,691	44,782
Nongovernmental Contracts and Grants	4,784		4,784	51,980	56,764
Gifts and Bequests	1,835	\$1,149	2,984	50,500	53,484
Investment Income	10,014	8,605	18,619		18,619
Endowment Income	5,934		5,934	15,176	21,110
Sales and Services	5,599	302,330	307,929		307,929
Other Revenues	6,198	9,308	15,506		15,506
<b>Total Current Revenues</b>	<b>603,275</b>	<b>321,392</b>	<b>924,667</b>	<b>374,771</b>	<b>1,299,438</b>
<b>Expenditures</b>					
Educational and General					
Instruction	289,250		289,250	146,589	435,839
Organized Research	29,496		29,496	157,054	186,550
Public Service	52,459		52,459	37,447	89,906
Academic Support	58,481		58,481	5,047	63,528
Student Services	14,218		14,218	517	14,735
Institutional Support	45,718		45,718	2,447	48,165
Plant Maintenance and Operations	68,808		68,808	717	69,525
Student Financial Aid	24,891		24,891	24,953	49,844
<b>Total Educational and General</b>	<b>583,321</b>	<b>0</b>	<b>583,321</b>	<b>374,771</b>	<b>958,092</b>
Auxiliary Enterprises		121,969	121,969		121,969
Internal Service Funds		5,474	5,474		5,474
Professional Clinical Services		156,522	156,522		156,522
<b>Total Expenditures</b>	<b>583,321</b>	<b>283,965</b>	<b>867,286</b>	<b>374,771</b>	<b>1,242,057</b>
<b>Transfers and Additions (Deductions)</b>					
Restricted Receipts Over(Under)					
Revenues Earned				(5,950)	(5,950)
Refunded to Grantors				(668)	(668)
Mandatory Transfers	(502)	(27,118)	(27,620)		(27,620)
Non-Mandatory Transfers	5,781	(13,206)	(7,425)	17,123	9,698
<b>Net Increase (Decrease) in Fund Equity</b>	<b>\$25,233</b>	<b>(\$2,897)</b>	<b>\$22,336</b>	<b>\$10,505</b>	<b>\$32,841</b>

The accompanying notes are an integral part of the financial statements.

# The University of North Carolina *at* Chapel Hill

## Notes to the Financial Statements

June 30, 2000

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## Note 1

### Significant Accounting Policies

#### A. FINANCIAL REPORTING ENTITY

The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by generally accepted accounting principles, the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government may serve as a nucleus for a reporting entity when it issues separate financial statements. The University of North Carolina at Chapel Hill is a constituent institution of the sixteen campus University of North Carolina System, which is a component unit of the State of North Carolina and an integral part of the State's Comprehensive Annual Financial Report.

The accompanying financial statements present all funds belonging to the University and its component units. While the Board of Governors of the University of North Carolina System has ultimate responsibility, the Chancellor, the Board of Trustees, and the Board of Trustees of the Endowment Fund have both delegated and statutory responsibilities for financial accountability of the University's funds. Although legally separate, The University of North Carolina at Chapel Hill Foundation, Inc. (Foundation) and The University of North Carolina at Chapel Hill Foundation Investment Fund, Inc. (Investment Fund) are reported as if they were part of the University. The Foundation's purpose is to aid, support, and promote teaching, research and service in the various educational, scientific, scholarly, professional, artistic and creative endeavors of the University while the Investment Fund's purpose is to support the University by operating an investment fund for charitable, nonprofit foundations, associations, trusts, endowments and funds that are organized and operated primarily to support the University.

The Foundation is governed by a 17-member board consisting of nine ex officio directors and eight elected directors. Ex officio directors include the Chairman of the Board of Trustees of the University of North Carolina at Chapel Hill, the Chancellor, the Vice Chancellor for Finance and Administration, and the Vice Chancellor for University Advancement (nonvoting). In addition, two ex officio directors are elected by the Board of Trustees from the membership of that board and three ex officio directors are elected by the Board of Trustees from the membership of the Board of Trustees of the Endowment Fund of the University of North Carolina at Chapel Hill who have not otherwise been selected. The eight remaining directors are elected to membership on the Foundation Board of Directors by action of the ex officio

directors. Because the members of the Board of Directors of the Foundation are officials or appointed by officials of the University and the Foundation's sole purpose is to benefit the University of North Carolina at Chapel Hill, its financial statements have been blended with those of the University.

The Investment Fund is governed by a board consisting of nine ex officio directors and one or two elected directors. The ex officio directors include all of the members of the Board of Trustees of the Endowment Fund of the University of North Carolina at Chapel Hill, the Vice Chancellor for Finance and Administration, and the Vice Chancellor for University Advancement. The Foundation Board may, in its discretion, elect one or two of its at-large members to the Investment Fund Board. Because the members of the Board of Directors of the Investment Fund are officials or appointed by officials of the University and the Investment Fund's primary purpose is to benefit the University of North Carolina at Chapel Hill and other organizations operated primarily to support the University, its financial statements have been blended with those of the University.

The financial statements of the Foundation and the Investment Fund, a governmental external investment pool, have been blended with those of the University. Separate financial statements for the Foundation and Investment Fund may be obtained from the University Controller's Office, Campus Box 1270, Chapel Hill, NC 27599-1270, or by calling (919) 962-1370. Other related foundations and similar non-profit corporations for which the University is not financially accountable are not part of the accompanying financial statements except for their participation in the Investment Fund.

The University's financial statements include the financial activities of the clinical patient care programs as part of the Proprietary Funds. These clinical patient care programs established or maintained by the School of Medicine of The University of North Carolina at Chapel Hill are a component unit of the University of North Carolina Health Care System, which is a component unit of the University of North Carolina System.

#### B. BASIS OF PRESENTATION

The accompanying financial statements are presented in accordance with generally accepted accounting principles applicable to the governmental colleges and universities as promulgated by the Governmental Accounting Standards Board (GASB). In accordance with GASB statement #15 Governmental College and University Accounting and Financial Reporting Models, the University has elected to follow the fund accounting and reporting guidelines set forth by the American Institute of Certified Public Accountants in its Industry Audit Guide, Audits of Colleges and Universities.



## C. FUND STRUCTURE

The accompanying financial statements are structured into three categories of funds: Current, Fiduciary, and Plant Funds.

Current Funds are used to account for the revenues and expenditures resulting from operations, with the Unrestricted and Restricted funds shown separately. The Restricted Fund represents resources that are restricted to use by either an outside donor or grantor. Current funds that are internally designated for specific purposes by the governing board or management having delegated authority are reported as Unrestricted Funds. The Unrestricted Proprietary Fund, reflecting the operations of the student supply store, dormitories, other auxiliary enterprises, internal service funds, student activity funds, and intercollegiate athletics is shown separately from the Unrestricted General Fund.

Fiduciary Funds are used to account for additions and deductions from fund equity of the Student Loan Fund and Endowment Fund. The Annuity and Life Income Fund is reported as part of the Endowment Fund. In addition, the Fiduciary Funds are used to account for funds of students and organizations held by the University as custodian in the Agency Fund. The transactions of the Agency Fund increase and decrease assets and liabilities but do not effect fund equity. As a result, the Agency Fund is not reflected in the Statement of Changes in Fund Equity.

Plant Funds are used to account for additions and deductions from fund equity of the Unexpended Plant Fund, Debt Service Fund, and Investment in Plant Fund. The Debt Service Fund includes the Repair and Replacement reserves as well as the reserves for Retirement of Indebtedness.

## D. BASIS OF ACCOUNTING

The financial statements of the University have been prepared on the accrual basis except that, in accordance with accounting practices customarily followed by public educational institutions, no provision is made for depreciation of fixed assets, interest on loans to students is recorded when collected, and revenue from tuition and student fees for summer sessions is reported totally within the fiscal year in which the session is primarily conducted. Otherwise, revenues are reported in the accounting period when they are earned and become measurable and expenditures are reported in the accounting period when materials or services are received or when incurred, if measurable.

The Statement of Current Funds Revenues, Expenditures, and Other Changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or

the net income or loss for the period as would a statement of income or a statement of revenues and expenses.

## E. CASH AND CASH EQUIVALENTS

In addition to cash on deposit with private bank accounts, petty cash, and undeposited receipts, this classification includes savings accounts, cash on deposit with fiscal agents, and short-term investments with the State Treasurer's Cash and Investment Pool (a governmental external investment pool). All other short-term investments are reported as investments.

## F. INVESTMENTS

This classification includes long-term fixed income investments, repurchase agreements, equity investments, mutual funds, money market funds, certificates of deposit, limited partnerships, real estate investment trusts, and other asset holdings by the University. Except for money market funds, certificates of deposit, real estate not held by a governmental external investment pool, and other asset holdings, these investments are reported at fair value for year-end financial reporting purposes. Fair value is the amount at which an investment could be exchanged between two willing parties. Fair value for financial reporting purposes is based on quoted market prices. The net increase (decrease) in the fair value of investments is recognized as a part of investment income.

Money market funds, certificates of deposit, real estate not held by a governmental external investment pool, and other asset holdings are reported at cost, if purchased, or at fair market value or appraised value at date of gift, if donated.

## G. STATE TREASURER'S SECURITIES LENDING COLLATERAL

While the University does not directly engage in securities lending transactions; it deposits certain funds with the State Treasurer's Cash and Investment Pool which participates in securities lending activities. Based on the State Treasurer's allocation of these transactions, the University recognizes its allocable share of the assets and liabilities related to these transactions on the accompanying financial statements as "State Treasurer's Securities Lending Collateral" and "Obligations Under State Treasurer's Securities Lending Agreements." The allocable share of the income and costs arising from these transactions is immaterial to the University and, as a result, is reported as a part of "Investment Income" on the accompanying financial statements.

Based on the authority provided in G.S. 147-69.3(e), the State Treasurer lends securities from its investment pools to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. The Treasurer's securities custodian manages

the securities lending program. During the year, the custodian lent U.S. government securities, corporate bonds, notes, and common stock for collateral. The custodian is permitted to receive cash, U.S. government securities, or irrevocable letters of credit as collateral for the securities lent. The collateral is initially pledged at 102 percent of the market value of the securities lent, and additional collateral is required if its value falls to less than 100 percent of the market value of the securities lent. There are no restrictions on the amount of loans that can be made. Substantially all security loans can be terminated on demand by either the State Treasurer or the borrower.

The University's allocable portion of securities lent at year-end for cash collateral amounted to \$130,747,000 and is not subject to categorization of custodial credit risk. Securities received as collateral are not recorded in either the Treasurer's or the University's financial statements because the State Treasurer cannot pledge or sell the collateral securities unless the borrower defaults.

The cash collateral received is invested by the custodian agent and held in a separate account in the name of the State Treasurer. The average maturities of the cash collateral investments do not differ materially from the average maturity of the securities lent. While cash can be invested in securities ranging from overnight up to two years, the custodian agent is not permitted to make investments where the weighted average maturity of all investments exceeds 90 days. At year-end, the weighted average maturity of unmatched investments was less than one month.

At year-end, the State Treasurer has no credit risk exposure to borrowers and incurred no losses during the year related to these transactions. The securities custodian is contractually obligated to the Treasurer for certain conditions, including indemnity on a default by the borrowers to return securities and on a failure by the borrowers to maintain collateral with the securities custodian agent equal to 100% of the market value of the securities lent.

#### **H. RECEIVABLES AND ALLOWANCE FOR DOUBTFUL ACCOUNTS**

The receivables for the UNC Physicians & Associates, the Dental Faculty Practice (both included in the current proprietary fund group) and the Loan Funds are shown in the accompanying financial statements net of the allowance for doubtful accounts of \$47,430,000, \$375,000, and \$2,368,000 respectively. The accounts and notes receivable for other funds are shown at book value with no provision for doubtful accounts considered necessary.

#### **I. INVENTORIES**

Inventories held by the University are priced at cost or average cost except for the Student Stores inventory, which is valued at the lower of cost or market. The

inventories for the Unrestricted General Fund consist of expendable supplies, postage, and fuel held for consumption. Inventories for the Unrestricted Proprietary Fund consist of textbooks and other merchandise for resale.

#### **J. FIXED ASSETS AND DEPRECIATION**

Fixed assets are stated at cost at date of acquisition or fair market value at date of donation in the case of gifts. The University capitalizes equipment that has a value or cost in excess of \$5,000 at the date of acquisition and an expected useful life of one or more years. Library books acquired prior to June 30, 1983 are valued on the basis of industry statistics and expert judgments. Depreciation is not recorded.

To the extent that current funds are used to finance plant assets, the amounts provided are accounted for as: (1) expenditures, in the case of normal replacement of furniture and movable equipment; (2) mandatory transfers, in the case of required provisions for debt amortization, interest, and equipment renewal and replacement; and (3) transfers of a non-mandatory nature for all other cases.

Fixed assets financed with debt proceeds are reported in the Investment in Plant fund subgroup when expenditures are incurred. Construction period interest cost in excess of earnings associated with the debt proceeds is capitalized as a component of the fixed asset.

Public domain ("infrastructure") fixed assets consisting of roads, parking lots, and sidewalks are capitalized as other structures and improvements.

#### **K. VACATION AND SICK LEAVE**

The University's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which may be carried forward each January 1st or for which an employee can be paid upon termination of employment. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous December 31 plus the leave earned, less the leave taken between January 1 and June 30.

The University has the policy of recording the cost of sick leave when taken and paid rather than when the leave is earned. The policy provides for unlimited accumulation of sick leave, but the employee cannot be compensated for any unused sick leave upon termination of employment.

#### **L. REVENUE RECOGNITION**

Current Funds revenues, as reflected on Exhibit C, include (1) all unrestricted gifts, grants, and other resources earned during the reporting period and (2) restricted resources to the extent that such funds were

expended. Current funds revenues do not include restricted current funds received but not expended or resources that are restricted by external persons or agencies to funds other than current funds.

Certain Unrestricted Proprietary Fund auxiliary operations provide goods and services to activities reported in the Unrestricted General Fund. These auxiliary operations include activities such as utilities, telecommunications, materials management, service and repairs, laboratory services, and other interdepartmental activities. For purposes of financial statement presentation, the University eliminates the associated Proprietary Fund revenue and expenditures for these activities.

Tuition remission and waivers are recorded as "Tuition and Fees" revenue and as "Student Financial Aid" expenditures on the accompanying financial statements.

Student fees pledged under bond indentures are reported as unrestricted revenues when received unless such fees are not legally available for other purposes, in which case they are reported as an addition to Debt Service Fund equity.

## **M. ENDOWMENT INVESTMENT RETURN**

Investments of the University's endowment funds are pooled in the Investment Fund. Investment return of the University's pooled endowment funds is predicated on the total return concept (yield plus appreciation). Annual distributions from the University's pooled endowment funds have generally ranged between 4% and 7% of market value. To the extent that the total return for the current year exceeds the distribution, the excess is added to principal. If current year earnings do not cover the distribution, the University uses available accumulated gains to make up the difference.

Endowments are classified as either "true" or "quasi." True endowments are funds that the donor has specified, as a condition of the gift, that the principal be maintained indefinitely. Quasi endowments are funds on which there is no such restriction placed by the donor. For classification purposes, the net change in fair value of investments is classified as quasi endowment, unless the donor has stipulated otherwise.

## **N. FUNDS HELD IN TRUST BY OTHERS**

Funds held in trust by others are resources neither in the possession nor the control of the University, but held and administered by an outside organization, with the University deriving income from such funds. Such funds established under irrevocable trusts where the University has legally enforceable rights or claims have not been recorded on the accompanying financial statements. The value of these assets at June 30, 2000 is approximately \$40,666,000.

## **O. REFUNDS OF STATE APPROPRIATIONS**

Refunds related to the return of prior year state appropriations are reported on the accompanying financial statements as a deduction to fund equity. Refunds related to current year appropriations are reported on the accompanying financial statements as a reduction to State Appropriations. During the fiscal year ended June 30, 2000, these refunds resulted from the State's action to assist in disaster relief efforts from Hurricane Floyd.

# **Note 2**

## **Deposits and Investments**

### **A. DEPOSITS**

The University is required by General Statute 147-77 to deposit its budget code cash and by the University of North Carolina Board of Governors pursuant to General Statute 116-36.1 to deposit its institutional trust funds, except for funds received for services rendered by health care professionals, in the State Treasurer's Cash and Investment Pool. In addition, the University may voluntarily deposit endowment funds, special funds, revenue bond proceeds, debt service funds, and funds received for services rendered by health care professionals with the State Treasurer's Cash and Investment Pool. Special funds consist of moneys for intercollegiate athletics and agency funds held directly by the University.

Deposits include cash and cash equivalents, and certificates of deposit totaling \$388,714,000. At year-end, cash on hand was \$55,000. The University's portion of the State Treasurer's Cash and Investment Pool was \$342,151,000. It is the State Treasurer's policy and practice for the deposits not covered by federal depository insurance to be covered by collateral held by the State of North Carolina's agent in the name of the State and for investments to be held by the State's agent in the State's name. The carrying amount of the University's deposits not with the State Treasurer consists of cash and cash equivalents totaling \$46,446,000 and certificates of deposit of \$117,000. The bank balance of these deposits was \$6,972,000 of which \$2,378,000 was covered by federal depository insurance or by collateral held by the University's agent in the University's name, and \$4,594,000 was uninsured and uncollateralized.

North Carolina General Statutes 147-69.1(c) and 147-69.2 authorize the State Treasurer to invest in the following: Obligations of or fully guaranteed by the United States; obligations of certain federal agencies; repurchase agreements; obligations of the State of North Carolina; certificates of deposit of specified institutions; prime quality commercial paper; specified bills of exchange; asset-backed securities; corporate bonds and notes with specified ratings; general obligations of other states; general

obligations of North Carolina local governments; certain venture capital limited partnerships; and the obligations or securities of the North Carolina Enterprise Corporation.

The financial statements and disclosures for the State Treasurer's Cash and Investment Pool are included in the State of North Carolina's Comprehensive Annual Financial Report. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.state.nc.us/OSC> and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

## B. INVESTMENTS

The University is authorized by The University of North Carolina Board of Governors pursuant to General Statute 116-36.2 to invest its special funds and funds received for services rendered by health care professionals in the same manner as the State Treasurer is required to invest, as previously discussed.

Bond proceeds and debt service funds are invested in accordance with the bond resolutions in obligations which will by their terms mature on or before the date funds are expected to be required for expenditure or withdrawal.

General Statute 116-36(e) provides that the trustees of the Endowment Fund shall be responsible for the prudent investment of the Fund in the exercise of their sound discretion, without regard to any statute or rule of law relating to the investment of funds by fiduciaries but in compliance with any lawful condition placed by the donor upon that part of the Endowment Fund to be invested.

Investments of the University's component units, the Foundation and the Investment Fund, are subject to and restricted by General Statute 36B "Uniform Management of Institutional Funds Act" (UMIFA) and any requirements placed on them by contract or donor agreements.

Investments of various funds may be pooled unless prohibited by statute or by terms of the gift or contract. The University utilizes investment pools to manage investments and distribute investment income. The University utilizes the following investment pools:

### *Temporary Investment Pool (Temporary Pool)*

This is a fixed income portfolio managed by the University's Investment Office and Wachovia Bank, N.A. It operates in conjunction with the University's Bank of America disbursing account for all special funds, funds received for services rendered by health care professionals and endowment revenue funds (internal portion), and funds of affiliated foundations (external portion). Because of the participation in the Temporary Pool by affiliated foundations, it is considered a governmental external investment pool. The external portion of the Temporary Pool is presented in the accompanying financial state-

ments as Funds Held in Trust for Pool Participants in the University's Agency Funds. The Temporary Pool is not registered with the SEC and the University has not provided legally binding guarantees during the period to support the value of the pool's investments. There are no involuntary participants in the Temporary Pool.

The Northern Trust Company is the custodian for the Temporary Pool and provides the University's Director of Accounting (Accounting Services) with monthly statements defining income and market value information. Through written request to Accounting Services, participants may purchase and sell shares in the Temporary Pool at a fixed value of \$1 per share. Investments of the Temporary Pool are highly liquid and generally include U.S. government securities, collateralized mortgage obligations, corporate bonds, mutual funds and money market funds. Generally, the purchase and sell of participation shares occur only at the beginning of the month. Income distribution is determined each quarter by multiplying the distribution rate by the average of the invested fund balance. Statements are sent to each participating account or group of accounts on a quarterly basis reflecting the participants' balance and income distribution. The rate earned by an account is dependent upon its account classification and investable fund balance. The rates are set in coordination between the University Investment Office and the Vice Chancellor for Finance and Administration.

### *UNC-CH Foundation Investment Fund Inc. (Investment Fund)*

This is a 501(c)3 corporation established in January, 1997 by the University and is classified as a governmental external investment pool. The pool is utilized to manage the investments for charitable, nonprofit foundations, associations, trusts, endowments and funds that are organized and operated primarily to support the University. The University's Endowment funds and the UNC-CH Foundation funds are component units included in the University's reporting entity (internal portion). Other affiliated organizations (external portion) in the Investment Fund are not included in the University's reporting entity. Fund ownership of the University's Investment Fund is measured using the unit value method. Under this method, each participant's investment balance is determined on a market value basis. The external portion of the Investment Fund is presented in the accompanying financial statements as Funds Held in Trust for Pool Participants in the University's Agency Funds.

The Investment Fund is not registered with the SEC and is not subject to any formal oversight other than that provided by the Investment Fund Board of Directors (See Note 1 A). The Investment Board is responsible for adopting investment objectives and policies, for hiring investment advisors, and for monitoring policy implementation and investment performance. The Board has generally chosen not to make individual security selection



decisions. The Board's primary role is to oversee the allocation of the Investment Fund Portfolio among asset classes, investment vehicles, and investment managers. The Board will continually review, monitor, and adjust its allocation decisions based on a variety of factors.

The Northern Trust Company is the custodian for the Investment Fund and provides the University with monthly statements defining income and market value information which is then allocated among the fund's participants. The Investment Fund uses a unit basis to determine each participant's market value and to distribute in accordance with the Fund's spending policy. There are no involuntary participants in the Investment Fund pool. The University has not provided or obtained any legally binding guarantees during the period to support the value for the pool's investments. The audited financial statements for the Investment Fund pool may be obtained from the University Controller's Office, Campus Box 1270, Chapel Hill, NC 27599-1270, or by calling (919) 962-1370.

### Credit Risk Categories

The University's investments (pooled and non-pooled) are categorized below to give an indication of the level of risk assumed by the entity at year-end. The credit risk categories are concerned with custodial credit risk, which is the risk that a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party if the counterparty to the investment transaction fails. There are three categories of credit risk. Category 1 includes investments that are insured or registered or for which the securities are held by the University or its agent in the University's name. Category 2 includes uninsured and unregistered investments for which the securities are held by a counterparty's trust department or agent in the University's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by a counterparty's trust department or agent but not in the University's name.

A summary of the University's investments at June 30, 2000 is presented below.

(in thousands)

Temporary Pool Investments				
	Fair Value			
	Risk Category			
	1	2	3	Total
<b>Categorized Investments</b>				
U. S. Government Securities	\$68,895	\$ 0	\$ 0	\$68,895
Collateralized Mortgage Obligations	41,912			41,912
Corporate Bonds	28,088			28,088
Corporate Stocks	30			30
<b>Total Categorized Investments</b>	<b>\$138,925</b>	<b>\$ 0</b>	<b>\$0</b>	<b>\$138,925</b>
<b>Investments Not Categorized</b>				
Investments Held by Broker-Dealers				
Under Reverse Repurchase Agreements				
U. S. Government Securities				21,426
Corporate Bonds				12,973
Money Market Funds				17,579
Mutual Funds				27,934
Other Investments				(27)
<b>Total Investments Not Categorized</b>				<b>79,885</b>
<b>Total Temporary Pool Investments</b>				<b>\$218,810</b>

Investment Fund Pool Investments				
	Fair Value			
	Risk Category			
	1	2	3	Total
<b>Categorized Investments</b>				
U. S. Government Securities	\$ 8,095	\$ 0	\$ 0	\$ 8,095
Collateralized Mortgage Obligations	11,520			11,520
State and Municipal Securities	4,835			4,835
Corporate Bonds	14,866			14,866
Corporate Stocks	187,555			187,555
<b>Total Categorized Investments</b>	<b>\$226,871</b>	<b>\$0</b>	<b>\$0</b>	<b>\$226,871</b>
<b>Investments Not Categorized:</b>				
Investments Held by Broker-Dealers				
Under Reverse Repurchase Agreements				
U. S. Government Securities				22,228
Money Market Funds				17,294
Mutual Funds				428,558
Limited Partnerships				251,855
Real Estate Investment Trusts				32,720
Other Investments				(1,118)
<b>Total Investments Not Categorized</b>				<b>751,537</b>
<b>Total Investment Fund Pool Investments</b>				<b>\$978,408</b>



(in thousands)

Non Pooled Investments				
	Fair Value			
	Risk Category			
	1	2	3	Total
Categorized Investments:				
U. S. Government Securities	\$ 6,583	\$ 622	\$ 0	\$ 7,205
State and Municipal Securities	1,200			1,200
Corporate Bonds	4,816			4,816
Corporate Stocks	12,583	1,110		13,693
International Stocks				
Total Categorized Investments	\$ 25,182	\$ 1,732	\$ 0	\$ 26,914
Investments Not Categorized:				
Money Market Funds				45,360
Mutual Funds				5,538
Real Estate				9,064
Certificates of Deposit				117
Other Investments				2,997
Total Investments Not Categorized				63,076
Total Non Pooled Investments				\$ 89,990

(in thousands)

Total Investments				
	Fair Value			
	Risk Category			
	1	2	3	Total
Total Categorized Investments	\$ 390,978	\$ 1,732	\$ 0	\$ 392,710
Total Investments Not Categorized				894,498
<b>Total Investments</b>				<b>\$ 1,287,208</b>

Certificates of deposit reported as investments are also a component of the deposit totals reported in the deposits section of this note.

Since a separate annual financial report of the Temporary Investment Pool, a governmental external investment pool, has not and is not planned to be issued, the following additional disclosures are being provided in the University's financial statements.

The Temporary Investment Pool's Statement of Net Assets and Statement of Operations and Changes in Net Assets as of and for the period ended June 30, 2000 are as follows:

(in thousands)

Temporary Pool	
Statement of Net Assets	June 30, 2000
<b>Assets:</b>	
State Treasurer Investment Fund	\$ 5,020
Accounts Receivable	1,376
Accrued Investment Income	2,322
Investments	218,810
State Treasurer's Securities Lending Collateral	2,524
<b>Total Assets</b>	<b>\$ 230,052</b>
<b>Liabilities:</b>	
Obligations Related to Securities Lending Collateral	\$ 2,524
Obligations Under Reverse Repurchase Agreements	31,751
<b>Total Liabilities</b>	<b>\$ 34,275</b>
<b>Net Assets:</b>	
Internal	133,128
External	62,649
<b>Total Net Assets Available to Participants</b>	<b>\$ 195,777</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 230,052</b>

(in thousands)

Temporary Pool	
Statement of Operations and Changes in Net Assets	For the Fiscal Year Ended June 30, 2000
<b>Increase in Net Assets From Operations:</b>	
Revenues:	
Investment Income	\$ 12,445
Expenditures:	
Investment Management	657
<b>Net Increase in Net Assets Resulting from Operations</b>	<b>\$ 11,788</b>
<b>Distributions to Participants:</b>	
Distributions Paid and Payable	\$ 11,788
<b>Share Transactions:</b>	
Net Share Purchases (Liquidations)	\$ 175
<b>Total Increase (Decrease) in Net Assets</b>	<b>\$ 175</b>
<b>Net Assets:</b>	
Beginning of Year	\$ 195,602
End of Year	\$ 195,777

The major investment classifications of the Temporary Pool had the following attributes as of June 30, 2000:

(in thousands)

Investment Classification	Fair Value	Principal Amount	Range of Interest Rates	Range of Maturities
U.S. Government Securities	\$ 68,895	\$ 70,182	6.2% - 8.0%	2000 - 2029
Collateralized Mortgage Obligations	41,912	43,682	6.9% - 9.6%	2005 - 2028
Corporate Bonds	28,088	28,929	7.1% - 8.6%	2001 - 2006
Reverse Repurchase Agreements	34,399	34,863	6.5% - 6.8%	1 - 19 days
Money Market	17,579	17,579	6.5%	1 day
Mutual Funds	27,934	27,443	N/A	N/A
Corporate Stocks	30	30	N/A	N/A
Other Investments	(27)	458	N/A	N/A
<b>Total Temporary Pool Investments</b>	<b>\$ 218,810</b>	<b>\$ 223,166</b>		

### C. ENDOWMENT FUND INVESTMENTS

The Board of Trustees of the Endowment Fund of The University of North Carolina at Chapel Hill and the Board of Directors of the Foundation (included in the University's reporting entity) have established a policy that emphasizes growth orientation in the investment of endowment funds. The fair value of the Endowment Fund Investments pooled and non-pooled as of June 30, 2000 as compared to the prior year was as follows:

(in thousands)

	June 30, 2000	June 30, 1999
<b>Investments by Fund:</b>		
Endowment	\$ 212,495	\$193,996
Quasi Endowment Unrestricted	124,286	98,581
Quasi Endowment Restricted	380,414	271,738
Annuity and Life Income Funds	33,126	29,058
<b>Total</b>	<b>\$ 750,321</b>	<b>\$593,373</b>
<b>Investment by Type:</b>		
Debt Securities	\$ 32,660	\$24,574
Equity Securities	141,684	240,417
Collateralized Mortgage Obligations	10,558	8,767
Money Market Funds	15,245	21,036
Mutual Funds	308,712	82,201
Real Estate	9,056	14,937
Limited Partnerships	177,230	151,275
Real Estate Investment Trusts	23,025	21,970
Investments Held by Broker-Dealers Under		
Reverse Repurchase Agreements	17,654	24,601
Other Investments	14,497	3,595
<b>Total</b>	<b>\$ 750,321</b>	<b>\$593,373</b>

### D. REVERSE REPURCHASE AGREEMENTS

Under the University's authority to purchase and sell securities, it has entered into fixed coupon reverse repurchase (reverse repurchase) agreements, that is, a sale of

securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The market value of the securities underlying reverse repurchase agreements normally exceeds the cash received, providing the dealers a margin against a decline in market value of the securities. If the dealers default on their obligations to resell these securities to the University or provide securities or cash of equal value, the University would suffer an economic loss equal to the difference between the market value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. This credit exposure at year-end was \$3,711,000.

All sales of investments under reverse repurchase agreements are for fixed terms. In investing the proceeds of reverse repurchase agreements, the University's practice is for the term to maturity of the investment to be the same as the term of the reverse repurchase agreement. Such matching existed at year-end. The University's investments in the underlying securities and those purchased with proceeds from the reverse repurchase agreements are in accordance with the statutory requirements as noted. The interest earnings and interest cost arising from reverse repurchase agreement transactions are reported at gross amounts on the accompanying financial statements.

### E. DERIVATIVE AND SIMILAR TRANSACTIONS

A derivative is a financial instrument created from, or whose value depends on (is derived from), the value of one or more underlying assets, reference rates, or indexes of asset values. These instruments may include forwards, futures, currency and interest rate swaps, options, floaters/inverse floaters and caps/floors/collars. Investment transactions similar to a derivative may include securitized assets, such as mortgage-backed secu-

rities and other asset backed securities. As required by generally accepted accounting principles, the nature of the derivative or similar transactions entered into by the University, and the reasons for entering into those transactions follow:

#### *Mortgage-Backed Securities*

The University invests in mortgage-backed securities issued by the Government National Mortgage Association (GNMA), an agency of the United States government, government sponsored enterprises including the Federal Home Loan Mortgage Corporation (FHLMC) or the Federal National Mortgage Association (FNMA), and private trusts or corporations. The University invests in these securities to increase the yield and return on its investment portfolio given the available alternative investment opportunities.

The values of mortgage backed securities are generally based on the cash flows from principal and interest receipts on the underlying mortgage pools. These securities may include mortgage pass-through securities and collateralized mortgage obligations (CMOs). Mortgage pass-through securities pay the holder of the security the principal and interest amounts received from the underlying pool of mortgages as these amounts are collected from the mortgage holders. In a CMO, cash flows from principal and interest payments from one or more mortgage pass-through securities or a pool of mortgages may be reallocated to multiple classes with different priority claims and payment streams (commonly referred to as tranches.) A holder of the CMO security thus chooses the class of security that best meets its risk and return objectives. Both pass-through securities and CMOs are subject to significant market risk due to fluctuations in interest rates, prepayment rates and various liquidity factors related to their specific markets.

The mortgage pass-through securities issued by GNMA, FNMA, FHLMC are classified by the University as U.S. government securities. The mortgage pools underlying the GNMA pass-through securities are backed by the full faith and credit of the U.S. government by the Federal Housing Administration (FHA), Veterans Administration (VA), and the Farmers Home Administration (FHA). The FNMA and FHLMC securities are collateralized by underlying pools of mortgages primarily issued by GNMA, FNMA or FHLMC which guarantee full and timely payment of principal and interest.

The CMOs held by the University include mortgage-backed securities issued by FNMA, FHLMC, certain trusts and private corporations (including REMIC issuers). In addition, non-traditional mortgage pass-through securities, such as "interest-only strips" and "principal-only strips", if held by the University, are classified as CMOs. The University held non-traditional pass-through securities during the year.

As of June 30, 2000, the University was holding \$109,218,000 in mortgage-backed securities valued at fair (market) value representing approximately 8.5% of its total investments. Of this amount \$53,432,000 represent investments in CMOs.

#### *Other Asset-Backed Securities*

The University invests in various asset backed securities. As of June 30, 2000, these securities include mortgage servicing rights issued through the United States Small Business Administration (SBA). The University also invests in securities issued through the SBA which pay monthly interest at a rate equal to the prime rate minus 2% and the par value of the security at maturity.

The University invests in the various asset backed securities to increase the yield and return on its investment portfolio given the available alternative investment opportunities. The SBA floating rate securities are used as a hedge against a rise in the level of interest rates.

The values of these other asset backed securities are generally based on the cash flows to be received from the underlying pools of assets. Accordingly, these securities are subject to significant market risk due to fluctuations in interest rates, prepayment rates and various liquidity factors related to their specific markets. For the SBA floating rate securities, the coupon income from holding these securities varies with the level of interest rates. As interest rates rise, these securities pay higher levels of coupon income, and as rates fall, the interest income declines.

These security holdings are subject to credit related losses in the event of non-performance by the issuers or counterparties to these instruments. However, the University does not expect any issuers or counterparties to fail to meet their obligations given their high credit ratings. The credit risk is reduced by the assets that collateralize these securities which could be liquidated at market values at the time of non-performance. The SBA floating rate securities are backed by the full faith and credit of the U.S. government.

As of June 30, 2000, the University is holding \$1,608,000 in asset-backed securities valued at fair (market) value representing approximately 0.12% of its total investments.

#### *Futures*

The University purchases and sells equity index futures and futures on domestic and foreign securities and currencies. The University uses the futures market to securitize excess cash holdings, to gain exposure to non-U.S. markets, to exploit foreign interest rate yield opportunities, to diversify its overall investment portfolio, to lower its transaction costs and to improve its liquidity.

Futures contracts are traded on margin on various futures and options exchanges. Since there is no direct cost in establishing any given futures position, the book value of

these securities is recorded at \$0. The margin amounts remitted by the University to the brokerage houses are reflected in the University's cash and cash equivalent or government securities holdings. Gains or losses from trading the futures are recognized in income when the futures positions are closed or liquidated. Unlike most securities investments, the losses on futures contracts can exceed their cost (of \$0).

The market value of a futures contract is dependent on the value of its underlying cash market security or securities. Accordingly, the futures contracts held by the University are sensitive to changes in their respective foreign currency rates or security values. They are also sensitive to changes in the level of interest rates. The University trades futures on organized exchanges which mitigates its credit risk of default by a counterparty.

As of June 30, 2000, the University had no outstanding futures contracts.

#### *Options*

University purchases and sells options on futures of U.S. and foreign securities. All options are traded through domestic and foreign exchanges.

The University uses the options to hedge certain of its futures positions, to gain exposure to non-U.S. markets, to exploit foreign interest rate yield opportunities, and to further diversify its overall investment portfolio.

The University records the book values of long and short call and put option contracts at the option premium paid (if the option is purchased) or collected (if the option is written.) The University records the book value of the options in an investment account at an amount equal to the quantity of contracts purchased (sold) at the respective option premium price paid (collected.) When the option contract expires, or is repurchased or is exercised, the University records any resulting gain or loss in related income accounts. Unlike purchased options and most securities investments, losses on written options can exceed their cost.

During the year ending June 30, 2000, the option contracts held by the University vary with changes in the market price of their underlying futures contracts and accordingly also fluctuate with changes in their respective foreign currency rates or security values. The University's option contracts are traded on organized exchanges which mitigates its credit risk of default by a counterparty.

As of June 30, 2000, the University had no outstanding option transactions.

#### *Indirect Derivative Holdings*

The University identifies various external investment funds (mutual funds, external investment pools, and limited partnerships) that meet asset allocation and investment management objectives. The University invests in these funds and partnerships to increase the yield and return on its investment portfolio given the available alternative investment opportunities and to diversify its asset holdings. These investments generally include equity and bond funds. Certain investment funds and partnerships expose the University to significant amounts of market risk by trading or holding derivative securities and by leveraging the securities in the fund.

The University limits the amount of funds managed by any single asset manager and also limits the amount of funds to be invested in particular security classes. The investment funds which utilize derivative securities for the fiscal year ending June 30, 2000, are summarized in the chart below. The amounts shown in the chart represent the market value of the University's (including affiliated external foundations participating in the Investment Fund) investment in a fund, group of funds or limited partnership, and are not the market values of the derivatives each fund or partnership is holding. The chart also defines the market value and percent of holdings held in derivatives. The University's reporting entity comprises 70.37% of these totals.

The University of North Carolina at Chapel Hill Foundation Investment Fund, Inc.  
Indirect Derivative Analysis For Fiscal Year Ending 6/30/00

(in thousands)

Investment Manager/Fund	Total Market Value	% Invested Derivatives	Amount
<b>DOMESTIC EQUITY</b>			
Feirstein Cap Management Co.	\$27,272	0.00%	-
Raptor Global Fund	30,014	1.65%	\$ 495
Peak Investment LP	4,504	0.00%	-
<b>INTERNATIONAL EQUITY</b>			
Nicholas-Applegate Capital Mgmt.	42,223	0.00%	-
Oechsle International Advisors	35,991	0.00%	-
Marathon Asset Management	42,119	0.00%	-
Boyer Allan Pacific Fund, Inc	20,490	18.00%	3,688
City of London Investment Mgmt. Co.	35,235	0.00%	-
Sloane Robinson Global Fund (Emerging Mkts.)	8,797	10.10%	889
<b>OPPORTUNISTIC EQUITY</b>			
Maverick Fund	28,160	0.00%	-
Sloane Robinson Global Fund (International)	18,990	2.05%	389
Reservoir Capital Partners	5,222	51.80%	2,705
The Jaguar Fund, N.V.	9,878	17.30%	1,709
No-Margin, L.P.	14,318	0.00%	-
Capital Guardian	10,465	0.00%	-
<b>ABSOLUTE RETURN</b>			
Highfields Capital, Ltd.	15,883	28.00%	4,447
OZ Overseas Fund, Ltd.	12,906	97.80%	12,622
AQR Capital Management, LLC	6,581	90.05%	5,926
Citadel Investment Group, LLC	14,691	0.81%	119
Satellite Asset Management	10,397	8.44%	878
Regiment Capital Partners	10,173	0.26%	27
Cerberus Asia Partners, L.P. Fund	4,038	1.42%	57
GS Special Oppty. (Asia) Offshore Fund, Ltd.	3,280	1.01%	33
Contrarian Capital Management	7,542	0.00%	-
OCM Opportunities Fund III, L.P.	8,008	0.00%	-
<b>FIXED INCOME</b>			
GMO - Global Fixed Income	46,266	82.75%	38,285
<b>ENERGY AND NATURAL RESOURCES</b>			
Goldman Sachs Asset Management	10,000	0.00%	-
<b>TOTAL</b>	<b>\$483,443</b>		<b>\$72,269</b>
<b>TOTAL INVESTMENT FUND MKT VALUE</b>	<b>\$978,408</b>		
<b>TOTAL % OF MARKET VALUE FOR INDIRECT DERIVATIVE EXPOSURE</b>			<b>7.39%</b>



The market risk associated with these indirect derivative holdings by fund type follows:

#### *Domestic Equity*

From time-to-time domestic equity managers will utilize equity index futures, options on equity index futures, and specific stock options. These are used mainly to hedge their portfolio or to take advantage of an options mispricing on a security they own.

#### *International Equity*

International equity managers will utilize foreign equity index futures and options to hedge their exposure to their respective markets.

#### *Opportunistic Equity*

Opportunistic equity managers will utilize a wide range of currency, equity, and fixed income futures and options. These are used to gain exposure to specific markets in the most cost-effective and liquid manner possible.

#### *Absolute Return*

Absolute Return managers utilize fixed income and equity futures both as a hedging tool and to gain exposure to specific markets.

#### *Fixed Income*

Fixed Income Funds utilize futures and options on global fixed income and currency markets. These vehicles are used purely to hedge exposure to a given market or to gain exposure to an illiquid market.

#### *Energy and Natural Resources*

Principally included as a hedge against unanticipated inflation. These strategies include direct energy investments, energy security investments, commodity-linked notes and direct investments in commodity indices or the future markets.

The Fund's holdings in indirect derivatives (i.e., derivatives held by our external investment managers) are primarily used to decrease risk. This is because the indirect derivatives are used by the fund's hedge fund managers primarily to hedge underlying positions, or to gain exposure to specific markets in an efficient, inexpensive, liquid, and diversified manner. In the former case, risk is actually reduced by the use of derivatives because the derivative is directly offsetting market exposure. In the latter case, the derivatives are merely substituting for what would otherwise be a more traditional (individual security) array. Hence there would be no greater risk and often less risk than the traditional array that would exist in place of such derivatives. In limited cases, select managers are allowed to use derivatives to lever specific holdings or market positions. In aggregate, the Fund's 7.39% exposure to indirect derivative holdings reflects a smaller degree of risk than there would be without such derivatives in the portfolio. The University considers the risk associated with these holdings to be prudent and within acceptable bounds.

## Note 3

### Interfund Receivables and Payables

Due From/To Other Funds as of June 30, 2000 are summarized below:

(in thousands)

Due From	Due To		Total Due From
	Unrestricted General	Debt Service Funds	
Unrestricted General		\$474	\$474
Proprietary Funds	\$553	21,033	21,586
Restricted Funds	32,143		32,143
Unexpended Plant Funds	9,988		9,988
<b>Total Due To</b>	<b>\$42,684</b>	<b>\$21,507</b>	<b>\$64,191</b>

The amounts due to Debt Service Funds from Proprietary Funds related to capital appreciation bonds are not payable currently.

The amount of \$9,988,000 due to Unrestricted General Funds from Unexpended Plant Funds represents internal borrowings from Temporary Investment Pool to fund capital projects. A variable interest rate, generally at 6.5% is charged on the borrowings. The period of the borrowings do not exceed 6 years, and the latest due date is December 31, 2005.

## Note 4

### Pension Plans

#### A. RETIREMENT PLANS

Each permanent full-time employee, as a condition of employment, is a member of either the Teachers' and State Employees' Retirement System or the Optional Retirement Program. The Teachers' and State Employees' Retirement System (System) is a multiple-employer, cost sharing defined benefit pension plan administered by the North Carolina State Treasurer.

After five years of creditable service, employees qualify for a vested deferred benefit. Employees who retire on or after age 65 and complete 5 years of membership service (age 55 and 5 years of creditable service for law enforcement officers), reach age 60 with 25 years of membership service, or complete 30 years of creditable service receive a retirement allowance of 1.80% of an average final compensation (based on the 4 consecutive years that produce the highest average) multiplied by the number of years of creditable service. Employees may retire with reduced benefits if they reach age 50 with 20 years of creditable service or reach age 60 with 5 years of cred-

itable service (age 50 with 15 years creditable service for law enforcement officers).

The funding policy for the Teachers' and State Employees' Retirement System provides for periodic employer and member contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets needed to pay benefits when due. The system is funded by member contributions of 6% of compensation and by employer contributions, for pension benefits, of 8.15% of covered payroll for the year ended June 30, 2000. Benefit and contribution provisions are established by North Carolina General Statute 135-5 and 135-8 and may be amended only by the North Carolina General Assembly.

For the year ended June 30, 2000, the University had a total payroll of \$648,173,000 of which \$300,671,000 was covered under the Teachers' and State Employees' Retirement System. Total employee and employer contributions for pension benefits for the year were \$18,040,000 and \$24,505,000, respectively. The University has no pension plan obligations beyond the required matching contributions already paid into the System. The University made one hundred percent of its required contributions for the years ended June 30, 2000, 1999, and 1998, which were \$24,505,000, \$21,537,000, and \$21,258,000, respectively.

The Teachers' and State Employees' Retirement System's financial information is included in the State of North Carolina Comprehensive Annual Financial Report. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.state.nc.us/OSC> and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

The Optional Retirement Program (Program) is a defined contribution retirement plan, which provides retirement benefits with options for payments to beneficiaries in the event of the participant's death. Administrators and eligible faculty of the University may join the Program instead of the Teachers' and State Employees' Retirement System. The Program offers plans administered by the Teachers' Insurance Annuity Association and College Retirement Equities Fund (TIAA-CREF), as well as Lincoln National Life Insurance Company, the Variable Annuity Life Insurance Company (VALIC), and Fidelity Investments. Participant eligibility and contributory requirements are established by General Statute 135-5.1. Participants contribute 6% of their salary and the University matches with a 6.84% contribution for pension benefits. The University assumes no liability other than its contribution.

Participants in the Program are vested after five years of service, but plan administrators must return the value of

the participant's and University's contribution to both the participant and the University if termination occurs prior to five years of service. Participants may direct their contributions to TIAA-CREF, Lincoln National, VALIC, Fidelity Investment or combinations of the aforementioned. Employees may elect to have their contributions deposited by one provider and the matching benefit deposited by another, or they may elect to have both deposited by the same provider.

For the year ended June 30, 2000, the University had a total payroll of \$648,173,000 of which \$220,582,000 was covered under the Optional Retirement Program. Total employee and employer contributions for pension benefits for the year were \$13,235,000 and \$15,088,000, respectively, for the Program.

## **B. DEFERRED COMPENSATION AND SUPPLEMENTAL RETIREMENT INCOME PLANS**

IRC Section 457 Plan - The State of North Carolina offers its permanent employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 through the North Carolina Public Employee Deferred Compensation Plan (the Plan). The Plan permits each participating employee to defer a portion of his or her salary until future years. The deferred compensation is available to employees upon separation from service, death, disability, retirement, or financial hardships if approved by the Board of Trustees of the Plan. The Board, a part of the North Carolina Department of Administration, maintains a separate fund for the exclusive benefit of the participating employees and their beneficiaries, the North Carolina Public Employee Deferred Compensation Trust Fund. The Board also contracts with an external third party to perform certain administrative requirements and to manage the trust fund's assets. All costs of administering and funding the Plan are the responsibility of the Plan participants. No costs are incurred by the University. The voluntary contributions by employees amounted to \$216,000 for the year ended June 30, 2000.

IRC Section 401(k) Plan - All members of the Teachers' and State Employees' Retirement System and the Optional Retirement Program are eligible to enroll in the Supplemental Retirement Income Plan, a defined contribution plan, created under Internal Revenue Code Section 401(k). All costs of administering the plan are the responsibility of the plan participants. No costs are incurred by the University except for a 5% employer contribution for the University's law enforcement officers, which is mandated under General Statute 143-163.30(e). Total employer contributions on behalf of University law enforcement officers for the year ended June 30, 2000 were \$78,000. The voluntary contributions by employees amounted to \$1,754,000 for the year ended June 30, 2000.

IRC Section 403(b) Plans - University employees may participate in tax sheltered annuity plans created under Internal Revenue Code (IRC) Section 403(b). The employees' eligible contributions, made through salary reduction agreements, are exempt from federal and state income taxes until the accumulated balances are received or the contributions are withdrawn. These plans are exclusively for employees of public educational organizations and certain charitable and other non-profit institutions as defined by the IRC. All costs of administering and funding these plans are the responsibility of the plans. No costs are incurred by the University. The voluntary contributions by employees amounted to \$16,433,000 for the year ended June 30, 2000.

## Note 5

### Other Postemployment Benefits

#### A. HEALTH CARE

The University participates in State administered programs which provide postemployment health insurance to eligible former employees. Eligible former employees include long-term disability beneficiaries of the Disability Income Plan of North Carolina, and retirees of the Teachers' and State Employees' Retirement System or the Optional Retirement Program. These benefits are established by Chapter 135, Article 3, Part 3, of the General Statutes and may be amended only by the North Carolina General Assembly. Funding for the health care benefit for long-term disability beneficiaries and retirees is financed on a pay-as-you-go basis. For the fiscal year ended June

30, 2000, contributions to the plan were not required. The University assumes no liability for retiree health care benefits provided by the programs other than its contribution. Additional detailed information about these programs can be located in the State of North Carolina Comprehensive Annual Financial Report.

#### B. DISABILITY INCOME

The University participates in the Disability Income Plan of North Carolina (DIPNC). Established by Chapter 135, Article 6, of the General Statutes, DIPNC provides short-term and long-term disability benefits to eligible members of the Teachers' and State Employees' Retirement System or the Optional Retirement Program. Long-term disability income benefits are advance funded on an actuarially determined basis using the one-year term cost method. The University contributes .52% of covered payroll under the Teachers' and State Employees' Retirement System and the Optional Retirement Program to the Plan. For the fiscal year ended June 30, 2000, the University's total contribution to the Plan was \$2,711,000. The University assumes no liability for long-term disability benefits under the Plan other than its contribution. Additional detailed information about the Plan can be located in the State of North Carolina Comprehensive Annual Financial Report.

## Note 6

### Changes in Fixed Assets

A summary of changes in the fixed assets is presented as follows:

*(in thousands)*

	Balance July 1, 1999	Additions	Deletions	Balance June 30, 2000
Land and Improvements	\$8,512		\$110	\$8,402
Furniture and Equipment	173,793	\$16,993	15,040	175,746
Buildings and Fixed Equipment	828,090	73,144	350	900,884
Other Structures and Improvements	61,848	8,504		70,352
Artworks and Literature	219,162	10,854	1,992	228,024
Construction In Progress	107,426	43,931	37,579	113,778
<b>Total Fixed Assets</b>	<b>\$1,398,831</b>	<b>\$153,426</b>	<b>\$55,071</b>	<b>\$1,497,186</b>

## Note 7

### Commitments and Contingencies

#### A. COMMITMENTS

The University had commitments of \$71,512,000 for various capital improvement projects that include construction of a new parking deck, construction and completion of new buildings, and renovations of existing buildings.

#### B. PENDING LITIGATION AND OTHER CONTINGENCIES

A claim related to the construction of the Alumni Center, which was completed in January, 1993, had been submitted for extra costs allegedly associated with numerous changes throughout the life of the project. The initial judgement, awarded in May of 2000 and currently under

appeal, is for \$1,400,000 plus yet to be determined costs and attorney fees.

The University is undertaking environmental remediation efforts at three sites on University property. These sites are the Airport Road Disposal Site, the Old Sanitary Landfill, and the Mason Farm Low Radioactive Waste Site. The amount of the liability associated with any of the three sites cannot reasonably be estimated at this time.

The University is a party to other litigation and claims in the ordinary course of its operations. Since it is not possible to predict the ultimate outcome of these matters, no provision for any liability has been made in the financial statements. University management is of the opinion that the liability, if any, for any of these matters will not have a material adverse effect on the financial position of the University.

## Note 8

### Short-term and Long-term Obligations

#### A. SHORT-TERM OBLIGATIONS

The University was indebted for short-term notes payable in the amount of \$19,165,000 at June 30, 2000 for the purposes shown in the following table.

*(in thousands)*

Purpose	Interest Rate	Final Maturity Date	Original Principal Amount	Principal Paid Through 6/30/00	Principal Outstanding 6/30/00
Neuroscience Building Research and Office	Variable	Aug. 31, 2000	\$12,000	\$0	\$12,000
Building (Chapel Hill North)	Variable	Feb. 15, 2001	5,765	0	5,765
Bio-Molecular Research Building	Variable	June 28, 2001	1,400	0	1,400
<b>Total Notes Payable</b>			<b>\$19,165</b>	<b>\$0</b>	<b>\$19,165</b>

#### B. CHANGES IN LONG-TERM OBLIGATIONS

A summary of changes in long-term obligations is presented as follows:

*(in thousands)*

	Balance July 1, 1999	Additions	Deletions	Balance June 30, 2000
Bonds Payable	\$286,366	\$15,026	\$13,954	\$287,438

### C. LONG-TERM OBLIGATIONS

The University was indebted for long-term bonds payable in the amount of \$287,438,000 at June 30, 2000 for the purposes shown in the following table.

(in thousands)

Purpose	Series	Interest Rate	Final Maturity Date	Original Principal Amount	Principal Paid Through 6/30/00	Accretion on Capital Appreciation Bonds	Principal Outstanding 6/30/00
Dormitory System	1991	5.400%- 5.900%	Nov. 1, 2002	\$3,200			
	1997A	4.500%- 5.100%	Nov. 1, 2017	9,170			
	1997B	4.000%- 5.000%	Nov. 1, 2011	7,210			
Total Dormitory System				19,580	\$2,765		\$16,815
Utility System	1997	5.250%- 5.500%	Aug. 1, 2021	30,379			
	1993	4.000%- 6.000%	Aug. 1, 2011	108,455			
	1992	3.000%- 6.000%	Aug. 1, 2007	3,490			
Total Utility System				142,324	30,080	\$4,657	116,901
Parking System	1997A	4.350%- 5.700%	May 15, 2027	11,750			
	1997B	3.900%- 5.150%	May 15, 2009	8,245			
	1997C	Variable	May 15, 2027	10,750			
Total Parking System				30,745	2,025		28,720
Student Union	2000	4.550%- 5.659%	June 1, 2022	12,465			12,465
Kenan Memorial Stadium	1996	Variable	Nov. 1, 2016	13,800	1,000		12,800
Ambulatory Care Facility	1990	Variable	July 1, 2012	20,000	4,500		15,500
Amb. Care Fac. Equipment	1992	Variable	Oct. 1, 2002	3,000	2,700		300
Student Recreation Center	1997	3.900%- 5.000%	June 1, 2011	3,545	175		3,370
Student Recreation Center	1991	5.300%- 6.300%	June 1, 2001	1,525	1,310		215
U.S. EPA Project	1991	8.250%- 9.050%	Feb. 15, 2015	36,679	7,645	4,718	33,752
U.S. EPA Project	1996	6.720%	Feb. 15, 2006	2,400	675		1,725
Carolina Inn	1994	Variable	Nov. 15, 2019	13,475	700		12,775
School of Dentistry	1995	Variable	Sept. 1, 2010	4,000	100		3,900
Dining System	1997	5.200%- 5.400%	May 15, 2017	13,695	490		13,205
Athletic Facilities	1998	Variable	Nov. 1, 2018	14,995			14,995
Total Bonds Payable				\$332,228	\$54,165	\$9,375	\$287,438
Less Unamortized Discount							2,458
Net Bonds Payable							\$284,980



The schedule below shows the annual requirements to pay principal and interest on the long-term obligations at June 30, 2000.

(in thousands)

Fiscal Year	Annual Requirements (Principal and Interest)
	Revenue Bonds
2001	\$25,546
2002	25,617
2003	25,662
2004	25,682
2005	25,685
2006-2010	126,059
2011-2015	110,646
2016-2020	71,162
2021-2025	26,670
2026-2030	3,114
<b>Total Requirements</b>	<b>\$465,843</b>

#### D. DEMAND BONDS

Included in bonds payable are several variable rate demand bond issues. Demand bonds are securities that contain a “put” feature that allows bondholders to demand payment before the maturity of the debt upon proper notice of the University’s remarketing or paying agents. With regards to the following demand bonds, the University has not entered into take out agreements, which would convert the demand bonds not successfully remarketed into another form of long-term debt.

##### Ambulatory Care Clinic, Series 1990

In 1990 the University issued money market municipal demand bonds in the amount of \$20,000,000 that have a final maturity date of July 1, 2012. The bonds are subject to mandatory sinking fund redemption that began on July 1, 1993. The proceeds of this issuance were used for financing the acquisition, construction and equipping of clinical facilities at the University’s School of Medicine and for paying the issuance costs of the 1990 bonds. The bonds were converted from money market municipal bonds to weekly rate bonds effective May 31, 1995. The bonds are subject to purchase on demand with seven days’ notice and delivery to the University’s paying agent, Bankers Trust Company. Lehman Brothers Inc. is the remarketing agent.

The University has arranged a standby bond purchase agreement with NationsBank of North Carolina, N.A., whereby the bank will purchase bonds on a purchase date at the purchase price when remarketing proceeds or other funds are not available. This liquidity facility pays only the principal portion of the purchase price and does not secure payment of the principal of or interest on the bonds. The University is required to pay an annual com-

mitment fee for the liquidity facility of .10% of the amount of bonds then currently outstanding.

The University has agreed to pay interest on each liquidity bond at LIBOR (London Interbank Offering Rate) plus .40% on each scheduled bond interest payment date. At June 30, 2000, no bonds had been purchased under the liquidity facility.

The University is required to purchase or cause to be purchased any liquidity bonds purchased under the agreement upon expiration or termination of the agreement. The term of the agreement is automatically extended for successive 364-day periods from the closing date, unless a notice of non-extension by NationsBank is received 365 days prior to the expiration date. As of June 30, 2000, the earliest such termination date is June 30, 2001.

##### Ambulatory Care Clinic, Series 1992

In 1992 the University issued tax-exempt adjustable mode demand notes in the amount of \$3,000,000 that have a final maturity date of October 1, 2002. The bonds are subject to mandatory sinking fund redemption that began on October 1, 1994. The proceeds of this issuance were used to provide equipment for the ambulatory care building used by UNC Physicians and Associates and to pay the issuance costs of the notes. The notes are subject to purchase on demand with seven days’ notice and delivery to the University’s remarketing agent, Wachovia Bank, N.A.

The University has arranged a standby note purchase agreement with Wachovia Bank, N.A., whereby Wachovia will purchase notes tendered or deemed tendered for purchase on any purchase date at the purchase price plus accrued interest when remarketing proceeds or other funds are not available. The University is required to pay an annual commitment fee for the liquidity facility of .30% of the amount of notes then currently outstanding plus an amount for accrued interest.

Notes held by Wachovia under this liquidity facility are subject to mandatory redemption 180 days after the date of purchase by Wachovia at an amount equal to the principal plus accrued interest at the Adjusted Euro-Dollar rate. At June 30, 2000, no notes had been purchased under the liquidity facility.

The liquidity facility terminates not earlier than 180 days following delivery of a termination notice by Wachovia. As of June 30, 2000, the earliest such termination date is December 27, 2000.

##### Athletic Facilities, Series 1998

In 1998 the University issued variable rate demand bonds in the amount of \$14,995,000 that have a final maturity date of November 1, 2018. The bonds are subject to

mandatory sinking fund redemption that begins on November 1, 2000. The proceeds of this issuance were used for certain additions and renovations to Kenan Memorial Stadium and constructing new facilities serving the Field Hockey and Soccer teams. While bearing interest at a weekly rate, the bonds are subject to purchase on demand with seven days' notice and delivery to the University's remarketing agent, NationsBank, N.A.

Under an irrevocable letter of credit issued by Wachovia Bank, N.A., the trustee is entitled to draw amounts sufficient to pay principal and interest on the bonds and amounts sufficient to pay the purchase price and accrued interest on bonds delivered for purchase. The University is required to pay an annual commitment fee for the letter of credit of .26% of the amount of bonds then currently outstanding plus an amount for accrued interest.

The University has entered into a reimbursement agreement with Wachovia in which it has agreed that upon the earlier of termination of the letter of credit or one year from a purchase draw date to repay amounts that represent purchase drawings under the letter of credit. Interest at the rate of prime is payable quarterly and upon draw repayment. At June 30, 2000, no purchase drawings had been made under the letter of credit.

The letter of credit automatically extends so that termination will not occur until 364 days after notice is received from Wachovia that the letter of credit will not be extended. As of June 30, 2000, the earliest such termination date is June 29, 2001.

#### **Carolina Inn, Series 1994**

In 1994 the University issued taxable flexible term demand bonds in the amount of \$13,475,000 that have a final maturity date of November 15, 2019. The bonds are subject to mandatory sinking fund redemption that began on November 15, 1998. The proceeds of this issuance were used to renovate and expand the Carolina Inn and to pay the costs incurred in connection with the issuance of the bonds. The bonds are subject to purchase on each interest payment date and on delivery to the University's paying agent, The Bank of New York.

The University has arranged a standby bond purchase agreement with NationsBank, N.A., whereby NationsBank will purchase bonds on a purchase date at the stated amount of principal plus accrued interest when remarketing proceeds or other funds are not available. The University is required to pay an annual standby fee for the liquidity facility of .10% of the amount of bonds then currently outstanding plus an amount for accrued interest.

The University has agreed to pay interest on each liquidity bond at LIBOR plus .50% on each scheduled bond interest payment date. At June 30, 2000, no bonds had been purchased under the liquidity facility.

The University is required to purchase or cause to be purchased any liquidity bonds purchased under the agreement upon expiration or termination of the agreement. The term of the agreement is automatically extended for successive 364-day periods from the closing date, unless a notice of non-extension by NationsBank is received 365 days prior to the expiration date. As of June 30, 2000, the earliest such termination date is June 30, 2001.

#### **School of Dentistry, Series 1995**

On June 28, 1995 the University issued tax-exempt adjustable mode demand bonds in the amount of \$4,000,000 that have a final maturity date of September 1, 2010. The bonds are subject to mandatory sinking fund redemption that began on September 1, 1999. The proceeds of this issuance are for the construction of Tarrson Hall which will house the majority of the School of Dentistry's patient care and clinical teaching facilities. The bonds are subject to purchase on demand with seven days' notice and delivery to the University's remarketing agent, Wachovia Bank, N.A.

Under an irrevocable letter of credit issued by Wachovia Bank, N.A., the trustee is entitled to draw amounts sufficient to pay principal and interest on the bonds and amounts sufficient to pay the purchase price and accrued interest on bonds delivered for purchase. The University is required to pay an annual commitment fee of .35% of the amount of the bonds then currently outstanding plus an amount for accrued interest.

The University has entered into a reimbursement agreement with Wachovia in which it has agreed upon termination of the letter of credit to repay all amounts that are drawn under the letter of credit. Interest at the rate of prime for the first 90 days and prime plus 1.5% thereafter is payable quarterly and upon termination. At June 30, 2000, no purchase drawings had been made under the letter of credit.

The letter of credit automatically extends every month so that termination will not occur until 13 months after notice is received from Wachovia that the letter of credit will not be extended. As of June 30, 2000, the earliest such termination date is July 5, 2001.

#### **Kenan Stadium, Series 1996**

In 1996 the University issued variable rate demand bonds in the amount of \$13,800,000 that have a final maturity date of November 1, 2016. The bonds are subject to mandatory sinking fund redemption that began on November 1, 1998. The proceeds of this issuance were used for certain additions and renovations to Kenan Memorial Stadium. While bearing interest at a weekly rate, the bonds are subject to purchase on demand with

seven days' notice and delivery to the University's remarketing agent, NationsBank, N.A.

Under an irrevocable letter of credit issued by Wachovia Bank, N.A., the trustee is entitled to draw amounts sufficient to pay principal and interest on the bonds and amounts sufficient to pay the purchase price and accrued interest on bonds delivered for purchase. The University is required to pay an annual commitment fee for the letter of credit of .30% of the amount of bonds then currently outstanding plus an amount for accrued interest.

The University has entered into a reimbursement agreement with Wachovia in which it has agreed that upon the earlier of termination of the letter of credit or one year from a purchase draw date to repay amounts that represent purchase drawings under the letter of credit. Interest at the rate of prime is payable quarterly and upon draw repayment. At June 30, 2000, no purchase drawings had been made under the letter of credit.

The letter of credit automatically extends so that termination will not occur until 364 days after notice is received from Wachovia that the letter of credit will not be extended. As of June 30, 2000, the earliest such termination date is June 29, 2001.

#### **Parking System, Series 1997C:**

In 1997 the University issued variable rate demand bonds in the amount of \$10,750,000 that have a final maturity date of May 15, 2027. The bonds are subject to mandatory sinking fund redemption that began on May 15, 2000. The proceeds of this issuance are to be used for the construction of the Health Affairs parking deck adjacent to UNC Hospitals on the campus of the University. The bonds are subject to purchase on demand with seven days notice and delivery to the University's paying agent, The Bank of New York. Salomon Smith Barney, Inc. is the remarketing agent.

The University has arranged for a standby bond purchase agreement with NationsBank, N.A., whereby the bank agrees to purchase 1997C bonds when remarketing proceeds are not available. This liquidity facility provides moneys only with respect to the purchase price of the bonds and does not otherwise secure payment of the bonds. The University is required to pay an annual commitment fee for the liquidity facility of .10% of the amount of bonds then currently outstanding.

The University has agreed to pay interest on each liquidity bond at LIBOR plus .50% on each scheduled bond interest payment date. At June 30, 2000, no bonds had been purchased under the liquidity facility.

The University is required to purchase or cause to be purchased any liquidity bonds purchased under the agreement upon expiration or termination of the agreement.

The term of the agreement is automatically extended for successive 364-day periods from the closing date, unless a notice of non-extension by NationsBank is received 365 days prior to the expiration date. As of June 30, 2000, the earliest such termination date is June 30, 2001.

#### **E. CAPITAL APPRECIATION BONDS**

The Series 1997 Utility System and the Series 1991 U. S. Environmental Protection Agency Project bond issues include capital appreciation bonds ("zero coupon") with an ultimate maturity value of \$84,135,000 and \$25,275,000 respectively. These bonds are recorded in the amounts of \$35,036,000 and \$8,547,000, respectively, which is the accreted value at June 30, 2000. These bonds mature in the years from 2010 to 2021.

#### **F. BOND DEFEASANCE**

##### *Dormitory System*

On December 1, 1999, the University used cash held with fiscal agent in Debt Service and Maintenance Reserve funds to defease \$1,225,000 of outstanding Dormitory System Revenue Bonds, Series E, F & G (1963). Of the \$1,982,000 in available funds, \$1,141,000 was used to purchase U. S. Government securities. The purchased securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. For financial reporting purposes, the trust account assets and the liability for the defeased bonds are not included in the balance sheet. The University reduced its debt service requirements by \$1,330,000 over the next 6 years and obtained an economic gain of \$87,000. At June 30, 2000, the outstanding balance was \$1,225,000 for the defeased outstanding Dormitory System Revenue Bonds, Series E, F & G (1963).

##### *Student Apartments*

On December 1, 1999, the University used cash held with fiscal agent in Debt Service and Maintenance Reserve funds to defease \$128,000 of outstanding Student Apartment Revenue Bonds, Series A (1961). Of the \$575,000 in available funds, \$124,000 was used to purchase U. S. Government securities. The purchased securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. For financial reporting purposes, the trust account assets and the liability for the defeased bonds are not included in the balance sheet. The University reduced its debt service requirements by \$136,000 over the next 3 years and obtained an economic gain of \$5,000. At June 30, 2000, the outstanding balance was \$128,000 for the defeased outstanding Student Apartment Revenue Bonds, Series A (1961).

##### *Student Recreation Center*

On December 1, 1999, the University used cash held with fiscal agent in Debt Service, Maintenance Reserve and

Revenue funds to defease \$620,000 of outstanding Student Fee Revenue Bonds (Student Recreation Center), Series 1991. Available funds of \$542,000 from the Debt Service and Maintenance Reserve funds plus \$8,000 in Revenue Fund cash were used to purchase U. S. Government securities. The purchased securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. For financial reporting purposes, the trust account assets and the liability for the defeased bonds are not included in the balance sheet. The University reduced its debt service requirements by \$707,000 over the next 8 years and obtained an economic gain of \$72,000. At June 30, 2000, the outstanding balance was \$620,000 for the defeased outstanding Student Fee Revenue Bonds (Student Recreation Center), Series 1991.

#### *Housing System*

On October 30, 1997 the University defeased \$6,630,000 of outstanding Housing System Revenue Bonds, Series 1991. Securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. The trust assets and the liability for the defeased bonds are not included in the University's balance sheet. At June 30, 2000 the outstanding balance of the defeased Housing System bonds was \$6,630,000.

#### *Student Recreation Center*

On October 30, 1997 the University defeased \$3,140,000 of outstanding Student Fee Revenue Bonds, Series 1991. Securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. The trust assets and the liability for the defeased bonds are not included in the University's balance sheet. At June 30, 2000 the outstanding balance of the defeased Student Fee bonds was \$3,140,000.

#### *Utility System*

On October 30, 1997 the University defeased \$19,337,000 of outstanding Utility System Revenue Bonds, Series 1992. Securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. The trust assets and the liability for the defeased bonds are not included in the University's balance sheet. At June 30, 2000 the outstanding balance of the defeased Utility System bonds was \$19,337,000.

## Note 9

### Construction Costs Paid From Debt Proceeds

Construction costs paid from debt proceeds are not reflected as additions to fund equity in the Investment In

Plant Fund but rather as an increase to Investment In Plant assets (such as Buildings and Fixed Equipment) and liabilities (Bonds Payable). During the year, \$20,594,000 was added to Investment In Plant assets and liabilities for assets purchased from debt proceeds.

## Note 10

### Leases

#### A. LEASE OBLIGATIONS

The University had future minimum lease commitments for non-cancelable operating leases consisting of the following at June 30, 2000:

(in thousands)

Fiscal Year	Operating Leases
2001	\$4,143
2002	2,615
2003	1,523
2004	586
2005	458
Minimum Lease Payments	\$9,325

Total rental expense for operating leases for the year ended June 30, 2000 was \$8,744,000.

#### B. OTHER LEASE AGREEMENTS

The University of North Carolina at Chapel Hill Foundation, Inc. (Foundation) issued certificates of participation to provide for construction of Alumni Facilities. The University constructed the facilities as an agent for the Foundation. In October 1989, the University entered into a 20 year lease agreement with the Foundation and simultaneously entered into a sublease agreement with the General Alumni Association, an affiliated organization, for the same time period for the use of the Alumni facilities.

Payments under the terms of the lease are a limited obligation of the University, payable solely from and secured by the annual rental income derived from the sublease of the Alumni facilities. The University has no other obligations for repayment of the certificates of participation; therefore, the certificates are not reported as a liability in the accompanying financial statements. As of June 30, 2000, the aggregate principal amount of the certificates was \$9,950,000.

If the University complies with all of the terms of the lease agreement, title to the Alumni facilities will be conveyed to the University.



## Note 11

### Budgeting and Budgetary Control

The State of North Carolina operates on a biennial budget cycle with separate annual departmental and institutional certified budgets adopted by the General Assembly.

Chapter 116, Article 1, Part 2A of the North Carolina General Statutes authorizes the universities within the sixteen campus University of North Carolina System to apply for special responsibility status, which sets the legal level of budgetary control at the institution's budget code level. A budget code is a convention used in the State's accounting system to distinguish the type of fund and the responsible department or institution. Budget Codes are also used to segregate certain purposes within departments or institutions. Institutions with special responsibility status must still have certain budget revisions, primarily those associated with unanticipated revenues, approved by the Office of State Budget and Management. Additionally, universities must maintain programs and services in accordance with the guidelines established by the Board of Governors of the consolidated University of North Carolina System. The University of North Carolina at Chapel Hill has applied for and received special responsibility status.

After the budget is approved by the General Assembly and adopted by the Board of Governors, the University follows an established system of budgetary controls. Periodic interim budget statements to department heads guide them in managing budget allocations. Monthly financial reports, which include budget and actual data, are provided for each fund to individual managers responsible for the fund. When actual conditions require changes to the budget, revisions are prepared and communicated to those affected. Changes to the budget are reviewed and approved at the University or State level as required. The University maintains an encumbrance accounting system as another method to ensure that imposed expenditure constraints are observed. The State budgetary control is maintained on a cash basis of accounting.

## Note 12

### Risk Management and Insurance

The University is exposed to various risks of loss related to torts; theft of, damage to, and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled via a combination of methods, including participation in various state-administered risk pools, purchase of commercial insurance, and self-retention of certain risks.

#### *Public Officers' and Employees' Liability Insurance*

Tort claims of up to \$150,000 are self-insured under the authority of the State Tort Claims Act. In addition, the

State provides an additional \$11 million public officers' and employees' liability insurance via contract with a private insurance company. The premium, based on a composite rate, is paid by the University directly to the insurer.

#### *Fire and Other Property Loss*

The State Property Fire Insurance Fund (Fund), an internal service fund of the State, insures all State owned buildings and contents for fire, extended coverage, and other property losses. Coverage for fire losses for all operations supported by the State's General Fund is provided at no cost to the University. Other operations not supported by the State's General Fund are charged for fire coverage. The Fund generally insures fire losses up to \$1.1 million and extended coverage losses up to \$100,000 per building and \$500,000 per occurrence. All losses covered by the Fund are subject to a \$500 per occurrence deductible except for theft that carries a \$1,000 per occurrence deductible. The Fund purchases excess insurance from a private insurer to cover losses over the amounts insured by the Fund. The University also purchased through the Fund extended coverage and other property coverage such as sprinkler leakage, business interruption, vandalism, theft and "all risks" for buildings and contents. Wind coverage is provided by the Fund and its reinsurer but the University has a \$100,000 deductible per building or \$500,000 deductible per occurrence. However, for losses involving a named storm, such as a hurricane, the University's deductible is increased to 1% of the total value of a building and its contents up to a maximum of \$3 million per occurrence, but not less than \$100,000 per occurrence. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

#### *Automobile Liability Insurance*

All State-owned vehicles are covered by liability insurance handled by the State Department of Insurance. The State is self-insured for the first \$250,000 of any loss through a retrospective rated plan. Excess insurance coverage is purchased through a private insurer to cover losses greater than \$250,000. The liability limits for losses incurring in-state are \$150,000 per claimant and \$5 million per occurrence. The University is charged premiums to cover the cost of excess insurance and to pay for those losses falling under the self-insured retention.

#### *Employee and Computer Fraud*

The University is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from State funds. The blanket honesty bond is with a private insurance company and is handled by the State Department of Insurance with coverage of \$5 million per occurrence and a \$10,000 deductible. As of January 6, 2000, the deductible increased to \$50,000.

Other coverage not handled by the State Department of Insurance is purchased through the State's insurance agent of record.



### *Comprehensive Major Medical Plan*

Employees and retirees are provided health coverage by the Comprehensive Major Medical Plan, a component unit of the State. The Plan is funded by employer and employee contributions and is administered by a third party contractor. Health care coverage is optionally available through contractual agreements with several HMO plans. The North Carolina Workers' Compensation Program provides benefits to workers injured on the job. All employees of the State and its component units are included in the program. When an employee is injured, the University's primary responsibility is to arrange for and provide the necessary treatment for the work related injury. The University is responsible for paying medical benefits and compensation in accordance with the North Carolina Workers' Compensation Act. The University is self-insured for workers' compensation.

### *Liability Insurance Trust Fund*

The University participates in the Liability Insurance Trust Fund (the Fund), a claims-servicing public entity risk pool for professional liability protection. The Fund acts as a servicer of professional liability claims, managing separate accounts for each participant from which the losses of that participant are paid. Although participant assessments are determined on an actuarial basis, ultimate liability for claims remains with the participants and, accordingly, the insurance risks are not transferred to the Fund.

The Fund was created by Chapter 116, Article 26, of the General Statutes and The University of North Carolina Board of Governors Resolution of June 9, 1978 to provide professional liability protection for program participants and individual health care practitioners working as employees, agents, or officers of The University of North Carolina Hospitals at Chapel Hill (the Hospitals) and The University of North Carolina at Chapel Hill Physicians and Associates (University Physicians and Associates). The Fund is exempt from federal and state income taxes, and is not subject to regulation by the North Carolina Department of Insurance.

Participation in the Fund is open to the University of North Carolina, any constituent institution of the University of North Carolina, the Hospitals, and any health care institution, agency or entity which has an affiliation agreement with the University of North Carolina, with a constituent institution of the University of North Carolina, or with the Hospitals. Only the University Physicians and Associates and the Hospitals have participated in the Fund to date. Management and administrative services are provided to the Fund at no cost by participants.

The Fund is governed by the Liability Insurance Trust Fund Council (the Council). The Council consists of thirteen members as follows: one member each appointed by the State Attorney General, the State Auditor, the State Insurance Commissioner, the Director of the Office of

State Budget and Management, the State Treasurer, (each serving at the pleasure of the appointer); and eight members appointed to three year terms (with no limit on the number of terms) by the Board of Governors of the University of North Carolina.

The Fund establishes claim liabilities based on estimates of the ultimate cost of claims (including future expenses and claim adjustment expenses) that have been reported but not settled and of claims incurred but not reported. Claim liabilities are recomputed annually based on an independent actuary's study to produce current estimates that reflect recent settlements, claims frequency, inflation and other factors. Participant assessments are determined at a level to fund claim liabilities, discounted for future investment earnings. Each participant is required by statute to maintain a fund balance of \$100,000 at all times. Participants are subject to additional premium assessments in the event of deficiencies.

The Fund provides occurrence coverage for participants as a corporate entity, as well as for the employees and professional staff of the participants. The Fund provides coverage of \$3,000,000 per occurrence and \$8,000,000 annual aggregate for the negligence of individual employees of the participants within the course and scope of their employment. Commercial excess insurance of \$25,000,000 per occurrence and \$50,000,000 annual aggregate is provided above the self-insurance retention limits. The Fund provides coverage of \$150,000 per occurrence, in accordance with the limited waiver of sovereign immunity afforded by the State Tort Claims Act, for any recovery against the participants for the negligence of its employees. To assure that both existing and future claims will be paid, the Board of Governors of the University of North Carolina is authorized by law to borrow up to \$30 million to replenish the Trust Fund. No borrowings have been made under this line of credit to date. The Council believes adequate funds are on deposit in the Fund to meet estimated losses based upon the results of the independent actuary's report.

The Fund has purchased annuity contracts to settle claims for which the claimant has signed an agreement releasing the Fund from further obligation. The related claim liabilities have been removed from estimated malpractice costs. The likelihood that the Fund will be required to make future payments on these claims is considered remote.

The Council may choose to terminate the Fund, or the respective participants may choose to terminate their participation. In the event of such termination by either the Council or a participant, an updated actuarial study will be performed to determine amounts due to or from the participants based on loss experience up to the date of termination.

At June 30, 2000, University assets in the Fund totaled \$19,287,000 while University liabilities totaled \$19,187,000, resulting in net assets of \$100,000.

Additional disclosures relative to the funding status and obligations of the Trust Fund are set forth in the Audited Financial Statements of the Liability Insurance Trust Fund for the years ended June 30, 2000 and 1999.

Copies of this report may be obtained from The University of North Carolina Liability Insurance Trust Fund, 6001 East Wing, University of North Carolina Hospitals, 101 Manning Drive, Chapel Hill, North Carolina 27514, or by calling (919) 966-3041.

#### *Term Life Insurance*

Term life insurance of \$25,000 to \$50,000 is provided to eligible workers. This self-insured death benefit is administered by the State Treasurer's Office and funded via employer contributions.

Additional details on State-administered risk management programs are disclosed in the State of North Carolina Comprehensive Annual Financial Report, issued by the Office of State Controller.

## Note 13 Related Parties

#### *Foundations*

There are 20 separately incorporated non-profit organizations associated with the University. These organizations are The Botanical Garden Foundation, Inc., The Dental Alumni Association, Inc., The Dental Foundation of North Carolina, Inc., The Educational Foundation, Inc., The General Alumni Association, The Golden Fleece Foundation, Inc., The Institute of Government Foundation, Inc., The Kenan Flagler Business School Foundation, Inc., The Law Alumni Association of N.C., Inc., The Medical Foundation of North Carolina, Inc., The North Caroliniana Society, Inc., The Pharmacy Foundation of North Carolina, Inc., The Public Health Alumni Association, Inc., The School of Education Foundation, Inc., The School of Journalism and Mass Communication Foundation of North Carolina, Inc., The School of Social Work Foundation, Inc., The UNC Law Foundation of North Carolina, Inc., The University of North Carolina at Chapel Hill Arts and Sciences Foundation, Inc., The University of North Carolina at Chapel Hill Public Health Foundation, Inc., and The University of North Carolina at Chapel Hill School of Nursing Foundation, Inc.

These organizations were established to assist and provide support to University programs by funding scholarships, fellowships, professorships, and other needs of specific schools as well as the University's overall academic endeavors. The University's financial statements do not include the assets, liabilities, net assets or operational

transactions of these organizations, except for support from each organization to the University. This support approximated \$39,855,000 for the year ended June 30, 2000.

#### *Carolina Student Legal Services, Inc.*

Carolina Student Legal Services, Inc. is an incorporated entity created as a function of the Student Government at the University of North Carolina at Chapel Hill. Its purpose is to provide legal consultation and workshops for student groups and students enrolled at the University. Carolina Student Legal Services is funded from student fees from University of North Carolina Student Government that are a predetermined amount per student as established by a student referendum.

## Note 14 Pledges Receivable

Pledges for gifts which will benefit the University are made to The University of North Carolina at Chapel Hill Foundation, Inc., a blended component unit, and directly to the University. Foundation pledges are recorded as received and allowances are provided for the amounts estimated to be uncollectible. Foundation pledges receivable in the amount of \$765,000 at June 30, 2000 are receivable annually over varying time periods ranging from one to five years. University pledges receivable at June 30, 2000 were not recorded because the net realizable amount was not measurable and, while promised, were not legally enforceable to the University. These pledges totaled approximately \$19,480,000 and are due in varying amounts generally over the next five years.

## Note 15 Subsequent Events

On August 31, 2000 the University entered into an agreement to extend the \$12,000,000 Neuroscience Building note payable with First Union National Bank until February 28, 2001. The total loan amount of \$12,000,000 did not change. Principal and interest will be paid from non-appropriated funds.

On October 3, 2000 The Board of Governors of the University of North Carolina issued The University of North Carolina at Chapel Hill Variable Rate Housing System Revenue Bonds, Series 2000, in the amount of \$44,710,000. The 2000 Bonds are limited obligations of the University payable solely from the net revenues derived from the Housing System. The bonds will mature on November 1, 2025. The 2000 Bonds are being issued to pay the cost of constructing new residence halls on the campus of The University of North Carolina at Chapel Hill.

## Note 16

### Accounting Change

Endowments are classified as either “true” or “quasi”, depending on whether maintaining the principal of the endowment is required by the donor (true) or the University (quasi). Prior to this year, the University classified the net change in the fair value of investments as both true and quasi endowment. In the current year, the University has classified the net change in the fair value of these investments as quasi endowments, unless the donor has stipulated otherwise. This change significantly affected the year end classification of balances between endowment and quasi endowment. The total fund equity of Endowment Funds did not change. However, the June 30, 1999 fund equity for true endowments decreased by \$208,227,000 and the fund equity for quasi restricted endowments increased by \$208,227,000.



# 2000

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**S t a t i s t i c a l   S e c t i o n**





## Current Funds Revenues by Source

(in thousands)

For the Year Ended June 30,

	2000	1999	1998	1997	1996
<b>Current Funds Revenues</b>					
State Appropriations	\$383,189	\$382,372	\$352,283	\$331,650	\$308,245
Tuition and Fees	121,507	110,400	105,745	102,277	88,478
Federal Contracts and Grants	276,548	259,152	231,687	221,548	219,878
State Contracts and Grants	44,782	37,570	31,269	26,402	24,607
Nongovernmental Contracts and Grants	56,764	51,128	44,729	40,092	39,710
Gifts and Bequests	53,484	46,657	44,312	38,197	34,464
Investment Income	18,619	20,335	17,045	21,748	15,274
Endowment Income	21,110	19,556	16,176	15,544	13,599
Sales and Services	307,929	280,484	268,455	255,593	233,888
Other Revenues	15,506	13,027	15,547	9,231	6,526
<b>Total Current Funds Revenues</b>	<b>\$1,299,438</b>	<b>\$1,220,681</b>	<b>\$1,127,248</b>	<b>\$1,062,282</b>	<b>\$984,669</b>

For the Year Ended June 30,

	2000	1999	1998	1997	1996
	%	%	%	%	%
<b>Current Funds Revenues</b>					
State Appropriations	29.5	31.3	31.3	31.2	31.3
Tuition and Fees	9.4	9.0	9.4	9.6	9.0
Federal Contracts and Grants	21.3	21.2	20.5	20.8	22.3
State Contracts and Grants	3.4	3.1	2.8	2.5	2.5
Nongovernmental Contracts and Grants	4.4	4.2	4.0	3.8	4.0
Gifts and Bequests	4.1	3.8	3.9	3.6	3.5
Investment Income	1.4	1.7	1.5	2.0	1.5
Endowment Income	1.6	1.6	1.4	1.5	1.4
Sales and Services	23.7	23.0	23.8	24.1	23.8
Other Revenues	1.2	1.1	1.4	0.9	0.7
<b>Total Current Funds Revenues</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

(percent of total current funds revenues)

The University of North Carolina at Chapel Hill  
Last Ten Fiscal Years

(in thousands)

For the Year Ended June 30,

	1995	1994	1993	1992	1991
<b>Current Funds Revenues</b>					
State Appropriations	\$302,337	\$283,826	\$270,700	\$255,003	\$257,219
Tuition and Fees	81,465	75,531	66,718	60,247	50,221
Federal Contracts and Grants	208,802	190,534	172,288	147,556	136,059
State Contracts and Grants	26,394	22,696	17,948	15,498	13,518
Nongovernmental Contracts and Grants	36,980	36,218	35,276	35,041	32,748
Gifts and Bequests	30,688	27,928	25,544	23,851	20,937
Investment Income	12,726	13,748	14,534	15,828	12,361
Endowment Income	13,798	11,895	9,212	8,040	6,851
Sales and Services	224,600	210,767	187,390	176,297	166,182
Other Revenues	5,679	4,246	4,632	3,847	3,312
<b>Total Current Funds Revenues</b>	<b>\$943,469</b>	<b>\$877,389</b>	<b>\$804,242</b>	<b>\$741,208</b>	<b>\$699,408</b>

For the Year Ended June 30,

	1995	1994	1993	1992	1991
	%	%	%	%	%
<b>Current Funds Revenues</b>					
State Appropriations	32.1	32.3	33.7	34.4	36.8
Tuition and Fees	8.6	8.6	8.3	8.1	7.2
Federal Contracts and Grants	22.1	21.7	21.4	19.9	19.5
State Contracts and Grants	2.8	2.6	2.2	2.1	1.9
Nongovernmental Contracts and Grants	3.9	4.1	4.4	4.8	4.7
Gifts and Bequests	3.3	3.2	3.2	3.2	3.0
Investment Income	1.3	1.6	1.8	2.1	1.7
Endowment Income	1.5	1.4	1.1	1.1	0.9
Sales and Services	23.8	24.0	23.3	23.8	23.8
Other Revenues	0.6	0.5	0.6	0.5	0.5
<b>Total Current Funds Revenues</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

(percent of total current funds revenues)

## Current Funds Revenues by Source

ADJUSTED FOR INFLATION (1991 Dollars)

(in thousands)

	For the Year Ended June 30,				
	2000	1999	1998	1997	1996
<b>Current Funds Revenues</b>					
State Appropriations	\$302,284	\$312,892	\$293,929	\$281,375	\$267,526
Tuition and Fees	95,852	90,339	88,229	86,773	76,790
Federal Contracts and Grants	218,159	212,062	193,309	187,963	190,832
State Contracts and Grants	35,327	30,743	26,089	22,400	21,356
Nongovernmental Contracts and Grants	44,779	41,838	37,320	34,014	34,464
Gifts and Bequests	42,192	38,179	36,972	32,407	29,911
Investment Income	14,688	16,640	14,222	18,451	13,256
Endowment Income	16,653	16,003	13,497	13,188	11,803
Sales and Services	242,914	229,518	223,987	216,847	202,991
Other Revenues	12,232	10,660	12,972	7,832	5,664
<b>Total Current Funds Revenues</b>	<b>\$1,025,080</b>	<b>\$998,874</b>	<b>\$940,526</b>	<b>\$901,250</b>	<b>\$854,593</b>

	For the Year Ended June 30,				
	2000	1999	1998	1997	1996
	%	%	%	%	%
<b>Current Funds Revenues</b>					
State Appropriations	29.5	31.3	31.3	31.2	31.2
Tuition and Fees	9.4	9.0	9.4	9.6	9.0
Federal Contracts and Grants	21.3	21.2	20.5	20.9	22.3
State Contracts and Grants	3.4	3.1	2.8	2.5	2.5
Nongovernmental Contracts and Grants	4.4	4.2	4.0	3.8	4.0
Gifts and Bequests	4.1	3.8	3.9	3.6	3.5
Investment Income	1.4	1.7	1.5	2.0	1.6
Endowment Income	1.6	1.6	1.4	1.5	1.4
Sales and Services	23.7	23.0	23.8	24.0	23.8
Other Revenues	1.2	1.1	1.4	0.9	0.7
<b>Total Current Funds Revenues</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

(percent of total current funds revenues)

<b>Consumer Price Index</b>	172.4	166.2	163.0	160.3	156.7
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The University of North Carolina at Chapel Hill  
Last Ten Fiscal Years

(in thousands)

For the Year Ended June 30,

	1995	1994	1993	1992	1991
<b>Current Funds Revenues</b>					
State Appropriations	\$269,625	\$260,813	\$254,953	\$247,364	\$257,219
Tuition and Fees	72,651	69,407	62,837	58,442	50,221
Federal Contracts and Grants	186,210	175,085	162,266	143,136	136,059
State Contracts and Grants	23,538	20,856	16,904	15,034	13,518
Nongovernmental Contracts and Grants	32,979	33,281	33,224	33,991	32,748
Gifts and Bequests	27,368	25,664	24,058	23,136	20,937
Investment Income	11,349	12,633	13,689	15,354	12,361
Endowment Income	12,305	10,931	8,676	7,799	6,851
Sales and Services	200,299	193,678	176,489	171,016	166,182
Other Revenues	5,065	3,902	4,363	3,732	3,312
<b>Total Current Funds Revenues</b>	<b>\$841,389</b>	<b>\$806,250</b>	<b>\$757,459</b>	<b>\$719,004</b>	<b>\$699,408</b>

For the Year Ended June 30,

	1995	1994	1993	1992	1991
	%	%	%	%	%
<b>Current Funds Revenues</b>					
State Appropriations	32.1	32.3	33.7	34.4	36.7
Tuition and Fees	8.6	8.6	8.3	8.1	7.2
Federal Contracts and Grants	22.1	21.7	21.4	19.9	19.5
State Contracts and Grants	2.8	2.6	2.2	2.1	1.9
Nongovernmental Contracts and Grants	3.9	4.1	4.4	4.8	4.7
Gifts and Bequests	3.3	3.2	3.2	3.2	3.0
Investment Income	1.3	1.6	1.8	2.1	1.7
Endowment Income	1.5	1.4	1.1	1.1	1.0
Sales and Services	23.8	24.0	23.3	23.8	23.8
Other Revenues	0.6	0.5	0.6	0.5	0.5
<b>Total Current Funds Revenues</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

(percent of total current funds revenues)

<b>Consumer Price Index</b>	152.5	148.0	144.4	140.2	136.0
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## Current Funds Expenditures and Mandatory Transfers by Function

(in thousands)

For the Year Ended June 30,

	2000	1999	1998	1997	1996
<b>Current Funds Expenditures</b>					
Instruction	\$435,839	\$411,292	\$383,759	\$352,711	\$326,546
Organized Research	186,550	174,973	161,128	152,478	156,034
Public Service	89,906	86,062	78,678	70,106	65,502
Academic Support	63,528	60,384	56,528	53,663	47,771
Student Services	14,735	13,662	12,661	11,763	10,986
Institutional Support	48,165	58,078	49,309	44,105	41,500
Plant Maintenance and Operations	69,525	65,501	63,359	60,224	62,402
Student Financial Aid	49,844	44,305	41,674	38,625	31,479
Auxiliary Enterprises and Internal Services	127,443	121,148	112,844	101,556	89,946
Professional and Clinical Services	156,522	133,057	135,099	116,394	108,282
Other Expenditures and Deductions	0	0	5,974	5,669	1,027
<b>Total Current Funds Expenditures</b>	<b>1,242,057</b>	<b>1,168,462</b>	<b>1,101,013</b>	<b>1,007,294</b>	<b>941,475</b>
<b>Current Funds Mandatory Transfers</b>	<b>27,620</b>	<b>20,079</b>	<b>22,852</b>	<b>29,007</b>	<b>24,084</b>
<b>Total Current Funds Expenditures and Mandatory Transfers</b>	<b>\$1,269,677</b>	<b>\$1,188,541</b>	<b>\$1,123,865</b>	<b>\$1,036,301</b>	<b>\$965,559</b>

For the Year Ended June 30,

	2000	1999	1998	1997	1996
	%	%	%	%	%
<b>Current Funds Expenditures</b>					
Instruction	34.3	34.6	34.1	34.0	33.8
Organized Research	14.7	14.7	14.3	14.7	16.2
Public Service	7.1	7.2	7.0	6.8	6.8
Academic Support	5.0	5.1	5.0	5.2	4.9
Student Services	1.2	1.2	1.1	1.1	1.1
Institutional Support	3.8	4.9	4.4	4.3	4.3
Plant Maintenance and Operations	5.5	5.5	5.7	5.8	6.5
Student Financial Aid	3.9	3.7	3.7	3.8	3.3
Auxiliary Enterprises and Internal Services	10.0	10.2	10.1	9.8	9.3
Professional and Clinical Services	12.3	11.2	12.0	11.2	11.2
Other Expenditures and Deductions			0.6	0.5	0.1
<b>Total Current Funds Expenditures</b>	<b>97.8</b>	<b>98.3</b>	<b>98.0</b>	<b>97.2</b>	<b>97.5</b>
<b>Current Funds Mandatory Transfers</b>	<b>2.2</b>	<b>1.7</b>	<b>2.0</b>	<b>2.8</b>	<b>2.5</b>
<b>Total Current Funds Expenditures and Mandatory Transfers</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

(percent of total current funds expenditures and mandatory transfers)



The University of North Carolina at Chapel Hill  
Last Ten Fiscal Years

(in thousands)

	For the Year Ended June 30,				
	1995	1994	1993	1992	1991
<b>Current Funds Expenditures</b>					
Instruction	\$301,323	\$278,587	\$253,662	\$241,956	\$241,058
Organized Research	154,817	140,586	130,570	115,014	103,139
Public Service	68,317	62,834	56,111	52,952	47,723
Academic Support	43,423	40,507	35,845	32,740	33,348
Student Services	9,998	9,191	8,585	7,624	7,345
Institutional Support	37,698	36,800	32,118	30,097	27,124
Plant Maintenance and Operations	59,662	58,447	49,606	48,552	42,947
Student Financial Aid	29,595	28,030	26,997	23,715	20,123
Auxiliary Enterprises and Internal Services	89,532	80,587	85,774	73,199	75,882
Professional and Clinical Services	99,140	97,265	85,187	74,769	71,229
Other Expenditures and Deductions	1,391	4,125	1,197	345	401
<b>Total Current Funds Expenditures</b>	<b>894,896</b>	<b>836,959</b>	<b>765,652</b>	<b>700,963</b>	<b>670,319</b>
<b>Current Funds Mandatory Transfers</b>	<b>20,758</b>	<b>21,158</b>	<b>18,140</b>	<b>9,066</b>	<b>16,046</b>
<b>Total Current Funds Expenditures and Mandatory Transfers</b>	<b>\$915,654</b>	<b>\$858,117</b>	<b>\$783,792</b>	<b>\$710,029</b>	<b>\$686,365</b>

	For the Year Ended June 30,				
	1995	1994	1993	1992	1991
	%	%	%	%	%
<b>Current Funds Expenditures</b>					
Instruction	32.9	32.5	32.4	34.1	35.1
Organized Research	16.9	16.4	16.7	16.2	15.0
Public Service	7.5	7.3	7.2	7.5	7.0
Academic Support	4.7	4.7	4.6	4.6	4.8
Student Services	1.1	1.1	1.1	1.1	1.1
Institutional Support	4.1	4.3	4.1	4.2	3.9
Plant Maintenance and Operations	6.5	6.8	6.3	6.8	6.3
Student Financial Aid	3.2	3.3	3.4	3.3	2.9
Auxiliary Enterprises and Internal Services	9.8	9.4	10.9	10.3	11.1
Professional and Clinical Services	10.8	11.3	10.9	10.5	10.4
Other Expenditures and Deductions	0.2	0.4	0.1	0.1	0.1
<b>Total Current Funds Expenditures</b>	<b>97.7</b>	<b>97.5</b>	<b>97.7</b>	<b>98.7</b>	<b>97.7</b>
<b>Current Funds Mandatory Transfers</b>	<b>2.3</b>	<b>2.5</b>	<b>2.3</b>	<b>1.3</b>	<b>2.3</b>
<b>Total Current Funds Expenditures and Mandatory Transfers</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

(percent of total current funds expenditures and mandatory transfers)

## Ten Year Summary of Ratios

### Ratio of Total Current Revenues to Total Current Expenditures (in thousands)

For the Year Ended June 30,					
	2000	1999	1998	1997	1996
Total Current Revenues	\$1,299,438	\$1,220,681	\$1,127,248	\$1,062,282	\$984,669
Total Current Expenditures and Mandatory Transfers	1,269,677	1,188,541	1,123,865	1,036,301	965,559
<b>Ratio</b>	<b>102.34%</b>	<b>102.70%</b>	<b>100.30%</b>	<b>102.51%</b>	<b>101.98%</b>

This ratio indicates the percentage of current funds revenues that remain after all current funds expenditures and mandatory transfers are applied. A percentage greater than 100% indicates a surplus for the year. The larger the surplus, the stronger the institution's financial position as a result of the year's operations. Large deficits are usually a bad sign, particularly if they occur in successive years. A pattern of large deficits can reduce an institution's financial strength. Such a pattern is a warning signal that corrective action should be taken.

### Ratio of Available Funds to Educational and General Expenditures and Mandatory Transfers

For the Year Ended June 30,					
	2000	1999	1998	1997	1996
Current Fund Balance - Educational and General	\$86,061	\$60,828	\$54,643	\$60,437	\$53,902
Current Fund Balance - Proprietary	162,193	165,090	157,697	154,264	149,134
Quasi Endowment Fund Balance - Unrestricted	121,441	98,556	85,787	48,704	35,640
<b>Total Availability</b>	<b>369,695</b>	<b>324,474</b>	<b>298,127</b>	<b>263,405</b>	<b>238,676</b>
Total Availability	369,695	324,474	298,127	263,405	238,676
Educational and General Expenditures and Mandatory Transfers	985,712	934,336	869,948	812,682	766,304
<b>Ratio</b>	<b>37.51%</b>	<b>34.73%</b>	<b>34.27%</b>	<b>32.41%</b>	<b>31.15%</b>

This ratio measures the size of the institution's financial reserves. Increasing ratios indicate better preparation for financial disruptions. The University receives its state appropriations on a quarterly allotment basis and state appropriations are not accrued at year end to finance accrued expenses.

The University of North Carolina at Chapel Hill  
Last Ten Fiscal Years

(in thousands)

For the Year Ended June 30,

	1995	1994	1993	1992	1991
Total Current Revenues	\$943,469	\$877,389	\$804,242	\$741,208	\$699,408
Total Current Expenditures and Mandatory Transfers	915,654	858,117	783,792	710,029	686,365
<b>Ratio</b>	<b>103.04%</b>	<b>102.25%</b>	<b>102.61%</b>	<b>104.39%</b>	<b>101.90%</b>

For the Year Ended June 30,

	1995	1994	1993	1992	1991
Current Fund Balance - Educational and General	\$49,726	\$44,104	\$37,536	\$29,681	\$25,784
Current Fund Balance - Proprietary	140,429	127,098	116,643	111,371	93,950
Quasi Endowment Fund Balance - Unrestricted	34,988	36,656	36,066	33,761	31,931
<b>Total Availability</b>	<b>225,143</b>	<b>207,858</b>	<b>190,245</b>	<b>174,813</b>	<b>151,665</b>
Total Availability	225,143	207,858	190,245	174,813	151,665
Educational and General Expenditures and Mandatory Transfers	725,591	676,140	611,634	561,716	538,853
<b>Ratio</b>	<b>31.03%</b>	<b>30.74%</b>	<b>31.10%</b>	<b>31.12%</b>	<b>28.15%</b>

## Ten Year Summary of Ratios (continued)

### Ratio of Expendable Fund Balance to Total Expenditures and Mandatory Transfers

(in thousands)

For the Year Ended June 30,

	2000	1999	1998	1997	1996
Current Fund Balance - Educational and General	\$86,061	\$60,828	\$54,643	\$60,437	\$53,902
Current Fund Balance - Proprietary	162,193	165,090	157,697	154,264	149,134
Current Fund Balance - Restricted	147,942	137,437	112,855	94,072	92,510
Quasi Endowment Fund Balance	493,209	161,984	143,043	92,180	71,023
Unexpended Plant Fund Balance	55,581	86,670	72,332	61,063	55,763
Debt Service Fund Balance	28,485	28,628	32,329	26,454	10,833
<b>Total Expendable Fund Balance</b>	<b>973,471</b>	<b>640,637</b>	<b>572,899</b>	<b>488,470</b>	<b>433,165</b>
Total Expendable Fund Balance	973,471	640,637	572,899	488,470	433,165
Total Current Expenditures and Mandatory Transfers	1,269,677	1,188,541	1,123,865	1,036,301	965,559
<b>Ratio</b>	<b>76.67%</b>	<b>53.90%</b>	<b>50.98%</b>	<b>47.14%</b>	<b>44.86%</b>

This ratio is an important measure of financial strength relative to institutional operating size. Expendable fund balances should increase at least proportionally as the rate of growth of operating size. If this is not the case, the same dollar amount of expendable fund balances will provide less margin of protection against adversity as the institution grows in dollar level of expenditure.

### Ratio of Instruction and Academic Support to Total Educational and General Expenditures Less Restricted Scholarships

(in thousands)

For the Year Ended June 30,

	2000	1999	1998	1997	1996
Instruction	\$435,839	\$411,292	\$383,759	\$352,711	\$326,546
Other Academic Support	63,528	60,384	56,528	53,663	47,771
<b>Total Instruction and Academic Support</b>	<b>499,367</b>	<b>471,676</b>	<b>440,287</b>	<b>406,374</b>	<b>374,317</b>
Educational and General Expenditures and Mandatory Transfers	958,594	914,294	847,139	784,364	742,277
Less: Restricted Scholarships	24,953	19,945	21,489	20,705	19,021
<b>Total Educational and General Expenditures less Restricted Scholarships</b>	<b>933,641</b>	<b>894,349</b>	<b>825,650</b>	<b>763,659</b>	<b>723,256</b>
Total Instruction and Academic Support	499,367	471,676	440,287	406,374	374,317
Total Educational and General Expenditures less Restricted Scholarships	933,641	894,349	825,650	763,659	723,256
<b>Ratio</b>	<b>53.49%</b>	<b>52.74%</b>	<b>53.33%</b>	<b>53.21%</b>	<b>51.75%</b>

This ratio indicates whether the institution has been maintaining the allocation of resources to the academic program. If financial resources are decreasing, the instruction and academic support proportion may also decrease due to greater demands for administrative expenditures, such as admissions or fund raising. A decrease in instruction and academic support expenditures as a proportion of the operating budget may not indicate an absolute decline, specifically when there is an alternative increase in quality; however, such a change in quality is difficult to measure.

The University of North Carolina at Chapel Hill  
Last Ten Fiscal Years

(in thousands)

For the Year Ended June 30,

	1995	1994	1993	1992	1991
Current Fund Balance - Educational and General	\$49,726	\$44,104	\$37,536	\$29,681	\$25,784
Current Fund Balance - Proprietary	140,429	127,098	116,643	111,371	93,950
Current Fund Balance - Restricted	91,586	77,839	66,205	53,318	51,863
Quasi Endowment Fund Balance	64,935	66,525	63,364	56,024	50,917
Unexpended Plant Fund Balance	48,658	34,830	20,573	9,657	25,909
Debt Service Fund Balance	17,073	16,421	16,244	18,300	9,297
<b>Total Expendable Fund Balance</b>	<b>412,407</b>	<b>366,817</b>	<b>320,565</b>	<b>278,351</b>	<b>257,720</b>
Total Expendable Fund Balance	412,407	366,817	320,565	278,351	257,720
Total Current Expenditures and Mandatory Transfers	915,654	858,117	783,792	710,029	686,365
<b>Ratio</b>	<b>45.04%</b>	<b>42.75%</b>	<b>40.90%</b>	<b>39.20%</b>	<b>37.55%</b>

(in thousands)

For the Year Ended June 30,

	1995	1994	1993	1992	1991
Instruction	\$301,323	\$278,587	\$253,662	\$241,956	\$241,058
Other Academic Support	43,423	40,507	35,845	32,740	33,348
<b>Total Instruction and Academic Support</b>	<b>344,746</b>	<b>319,094</b>	<b>289,507</b>	<b>274,696</b>	<b>274,406</b>
Educational and General Expenditures and Mandatory Transfers	705,323	656,305	595,696	555,404	524,365
Less: Restricted Scholarships	17,713	17,439	17,116	14,940	13,126
<b>Total Educational and General Expenditures less Restricted Scholarships</b>	<b>687,610</b>	<b>638,866</b>	<b>578,580</b>	<b>540,464</b>	<b>511,239</b>
Total Instruction and Academic Support	344,746	319,094	289,507	274,696	274,406
Total Educational and General Expenditures less Restricted Scholarships	687,610	638,866	578,580	540,464	511,239
<b>Ratio</b>	<b>50.14%</b>	<b>49.95%</b>	<b>50.04%</b>	<b>50.83%</b>	<b>53.67%</b>



## Ten Year Summary of Ratios (continued)

### Educational Expenditures per Student

(in thousands)

For the Year Ended June 30,

	2000	1999	1998	1997	1996
Total Current Fund Expenditures	\$1,242,057	\$1,168,462	\$1,101,013	\$1,007,293	\$941,475
Plus: Current Fund Mandatory Transfers	27,620	20,079	22,852	29,007	24,084
Less: Student Financial Aid	49,844	44,305	41,674	38,625	31,479
Less: Auxiliary Enterprises Expenditures	121,969	115,280	106,837	96,674	88,032
Less: Professional Clinical Services	156,522	133,057	135,099	116,393	108,282
<b>Total Educational Expenditures</b>	<b>941,342</b>	<b>895,899</b>	<b>840,255</b>	<b>784,608</b>	<b>737,766</b>
Total Educational Expenditures	941,342	895,899	840,255	784,608	737,766
Undergraduate, Graduate and Professional FTE	22,761	21,940	21,794	21,709	21,961
<b>Educational Expenditures per Student (in thousands)</b>	<b>\$41.4</b>	<b>\$40.8</b>	<b>\$38.6</b>	<b>\$36.1</b>	<b>\$33.6</b>

This ratio measures average educational expenditures incurred per student FTE.

### Ratio of Net Gain in Endowment Assets

(in thousands)

For the Year Ended June 30,

	2000	1999	1998	1997	1996
Year - End Endowment Assets (Market Value)	\$750,321	\$593,373	\$554,029	\$465,152	\$390,146
Year - Begin Endowment Assets (Market Value)	593,373	554,029	465,152	390,146	335,076
<b>Yearly Change</b>	<b>156,948</b>	<b>39,334</b>	<b>88,877</b>	<b>75,006</b>	<b>55,070</b>
Yearly Change	156,948	39,334	88,877	75,006	55,070
Year - Begin Endowment Assets (Market Value)	593,373	554,029	465,152	390,146	335,076
<b>Ratio</b>	<b>26.45%</b>	<b>7.10%</b>	<b>19.11%</b>	<b>19.23%</b>	<b>16.44%</b>

This ratio measures the growth of endowment assets resulting directly from investment policies and/or gifts. If the ratios are increasing, the endowment assets are growing through efficient investment of the endowment funds and/or additional gifts and transfers to the endowment funds.

The University of North Carolina at Chapel Hill  
Last Ten Fiscal Years

For the Year Ended June 30,

	1995	1994	1993	1992	1991
Total Current Fund Expenditures	\$894,896	\$836,959	\$765,652	\$700,963	\$670,319
Plus: Current Fund Mandatory Transfers	20,758	21,158	18,140	9,066	16,046
Less: Student Financial Aid	29,595	28,030	26,997	23,715	20,123
Less: Auxiliary Enterprises Expenditures	83,823	76,560	81,907	56,996	60,830
Less: Professional Clinical Services	99,140	97,265	85,187	74,769	71,229
<b>Total Educational Expenditures</b>	<b>703,096</b>	<b>656,262</b>	<b>589,701</b>	<b>554,549</b>	<b>534,183</b>
Total Educational Expenditures	703,096	656,262	589,701	554,549	534,183
Undergraduate, Graduate and Professional FTE	21,918	21,758	21,398	21,391	21,486
<b>Educational Expenditures per Student (in thousands)</b>	<b>\$32.1</b>	<b>\$30.2</b>	<b>\$27.6</b>	<b>\$25.9</b>	<b>\$24.9</b>

For the Year Ended June 30,

	1995	1994	1993	1992	1991
Year - End Endowment Assets (Market Value)	\$335,076	\$293,214	\$223,948	\$209,547	\$181,413
Year - Begin Endowment Assets (Market Value)	293,214	223,948	209,547	181,413	171,139
<b>Yearly Change</b>	<b>41,862</b>	<b>69,266</b>	<b>14,401</b>	<b>28,134</b>	<b>10,274</b>
Yearly Change	41,862	69,266	14,401	28,134	10,274
Year - Begin Endowment Assets (Market Value)	293,214	223,948	209,547	181,413	171,139
<b>Ratio</b>	<b>14.28%</b>	<b>30.93%</b>	<b>6.87%</b>	<b>15.51%</b>	<b>6.00%</b>

## Ten Year Summary of Ratios (continued)

### Ratio of Unrestricted Operating Resources to Debt

(in thousands)

For the Year Ended June 30,

	2000	1999	1998	1997	1996
Current Fund Balance - Educational and General	86,061	60,828	54,643	60,437	53,902
Current Fund Balance - Proprietary	162,193	165,090	157,697	154,264	149,134
Unrestricted Quasi Endowment Fund Balance	121,441	98,556	85,787	48,704	35,640
Unrestricted Unexpended Plant Fund Balance	1,828	1,837	6,291	3,112	3,645
Unrestricted Debt Service Fund Balance	6,725	5,211	11,305	7,453	(6,238)
<b>Total Expendable Fund Balance</b>	<b>378,248</b>	<b>331,522</b>	<b>315,723</b>	<b>273,970</b>	<b>236,083</b>
Total Expendable Fund Balance	378,248	331,522	315,723	273,970	236,083
Total Debt Outstanding	306,604	286,366	279,096	272,965	232,028
<b>Ratio</b>	<b>123.37%</b>	<b>115.77%</b>	<b>113.12%</b>	<b>100.37%</b>	<b>101.75%</b>

This ratio is a conservative measure of resources available to investors from unrestricted expendable reserves that excludes amounts designated for long-term investment.

### Ratio of Total Resources to Debt

(in thousands)

For the Year Ended June 30,

	2000	1999	1998	1997	1996
Current Fund Balance - Educational and General	\$86,061	\$60,828	\$54,643	\$60,437	\$53,902
Current Fund Balance - Proprietary	162,193	165,090	157,697	154,264	149,134
Current Fund Balance - Restricted	147,942	137,437	112,855	94,072	92,510
Endowment Fund Balance	727,798	587,946	547,750	376,052	303,674
Unexpended Plant Fund Balance	55,581	86,670	72,332	61,063	55,763
Debt Service Fund Balance	28,485	28,628	32,329	26,454	10,833
<b>Total Expendable Fund Balance</b>	<b>1,208,060</b>	<b>1,066,599</b>	<b>977,606</b>	<b>772,342</b>	<b>665,816</b>
Total Expendable Fund Balance	1,208,060	1,066,599	977,606	772,342	665,816
Total Debt Outstanding	306,604	286,366	279,096	272,965	232,028
<b>Ratio</b>	<b>394.01%</b>	<b>372.46%</b>	<b>350.28%</b>	<b>282.95%</b>	<b>286.96%</b>

This ratio is a broad measure of resources to debt that includes the corpus of endowed contributions.

For the Year Ended June 30,

	1995	1994	1993	1992	1991
Current Fund Balance - Educational and General	\$49,726	\$44,104	\$37,536	\$29,681	\$25,784
Current Fund Balance - Proprietary	140,429	127,098	116,643	111,371	93,950
Unrestricted Quasi Endowment Fund Balance	34,988	36,656	36,066	33,761	31,931
Unrestricted Unexpended Plant Fund Balance	4,658	4,366	5,178	1,872	1,046
Unrestricted Debt Service Fund Balance	2,298	3,798	7,901	9,327	1,435
<b>Total Expendable Fund Balance</b>	<b>232,099</b>	<b>216,022</b>	<b>203,324</b>	<b>186,012</b>	<b>154,146</b>
Total Expendable Fund Balance	232,099	216,022	203,324	186,012	154,146
Total Debt Outstanding	238,176	225,834	230,825	222,548	165,692
<b>Ratio</b>	<b>97.45%</b>	<b>95.66%</b>	<b>88.09%</b>	<b>83.58%</b>	<b>93.03%</b>

For the Year Ended June 30,

	1995	1994	1993	1992	1991
Current Fund Balance - Educational and General	\$49,726	\$44,104	\$37,536	\$29,681	\$25,784
Current Fund Balance - Proprietary	140,429	127,098	116,643	111,371	93,950
Current Fund Balance - Restricted	91,586	77,839	66,205	53,318	51,863
Endowment Fund Balance	273,448	270,211	212,158	191,497	165,576
Unexpended Plant Fund Balance	48,658	34,830	20,573	9,657	25,909
Debt Service Fund Balance	17,073	16,421	16,244	18,300	9,297
<b>Total Expendable Fund Balance</b>	<b>620,920</b>	<b>570,503</b>	<b>469,359</b>	<b>413,824</b>	<b>372,379</b>
Total Expendable Fund Balance	620,920	570,503	469,359	413,824	372,379
Total Debt Outstanding	238,176	225,834	230,825	222,548	165,692
<b>Ratio</b>	<b>260.70%</b>	<b>252.62%</b>	<b>203.34%</b>	<b>185.95%</b>	<b>224.74%</b>

## Revenue Bond Coverage

(in thousands)

Fiscal Year Ended June 30,	Gross Operating Revenues	Direct Operating Expenses	Net Revenue Available for Debt Service	Principal	Interest	Total	Coverage
2000	250,316	214,212	36,104	11,601	11,351	22,952	1.57
1999	246,610	208,753	37,857	10,128	11,008	21,136	1.79
1998	226,567	189,205	37,362	8,913	10,634	19,547	1.91
1997	228,228	177,793	50,435	8,279	11,063	19,342	2.61
1996	205,387	158,584	46,803	7,743	11,610	19,353	2.42
1995	189,346	147,847	41,499	6,217	13,937	20,154	2.06
1994	175,567	140,552	35,015	5,794	13,264	19,058	1.84
1993	147,086	125,555	21,531	3,450	12,192	15,642	1.38
1992	143,277	108,122	35,155	1,067	13,652	14,719	2.39
1991	130,230	105,308	24,922	1,250	9,979	11,229	2.22

Measures the margin of protection provided to investors by annual operations of debt secured facilities.

## Gross Debt Service Coverage

The University of North Carolina at Chapel Hill  
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(in thousands)

Fiscal Year Ended June 30,	Proprietary Fund			Debt Service	Coverage
	Increase in Fund Equity	Mandatory Transfers	Total		
2000	(2,897)	27,118	24,221	22,952	1.06
1999	7,393	20,042	27,435	21,136	1.30
1998	2,699	22,809	25,508	19,547	1.30
1997	5,130	28,318	33,448	19,342	1.73
1996	8,705	24,027	32,732	19,353	1.69
1995	13,331	20,268	33,599	20,154	1.67
1994	10,455	19,835	30,290	19,058	1.59
1993	5,272	15,938	21,210	15,642	1.36
1992	17,421	6,312	23,733	14,719	1.61
1991	4,782	14,488	19,270	11,229	1.72

Measures the actual margin of protection provided to investors by annual operations.



## Ratio of Debt Services to Current Expenditures

(in thousands)

Fiscal Year Ended June 30,	Debt Service Requirements	Current Funds Expenditures	Ratio %
2000	22,952	1,242,057	1.85
1999	21,136	1,168,462	1.81
1998	19,547	1,101,013	1.78
1997	19,342	1,007,293	1.92
1996	19,353	941,475	2.06
1995	20,154	894,896	2.25
1994	19,058	836,959	2.28
1993	15,642	765,652	2.04
1992	14,719	700,963	2.10
1991	11,229	670,319	1.68

Measures commitment of operating funds to annual credit obligations.

## Admissions, Enrollment and Degree Statistics

	Fall Enrollment of Fiscal Year				
	1999-2000	1998-99	1997-98	1996-97	1995-96
<b>Admissions - Freshmen</b>					
Applications	16,021	16,827	15,554	15,370	15,159
Accepted	6,176	6,041	6,050	5,826	5,571
Enrolled	3,396	3,437	3,417	3,278	3,239
Accepted as a Percentage of Applications	38.5%	35.9%	38.9%	37.9%	36.8%
Enrolled as a Percentage of Accepted	55.0%	56.9%	56.5%	56.3%	58.1%
Average SAT Scores - Total	1,245	1,230	1,220	1,222	1,142
Verbal	620	613	609	611	539
Math	625	617	611	611	603
<b>Enrollment</b>					
Undergraduate, Graduate and Professional FTE	22,761	21,940	21,794	21,709	21,961
Undergraduate, Graduate and Professional Headcount	24,635	24,238	24,189	24,141	24,439
Men (Headcount)	10,028	9,854	10,002	10,024	10,330
Percentage of Total	40.7%	40.7%	41.3%	41.5%	42.3%
Women (Headcount)	14,607	14,384	14,187	14,117	14,109
Percentage of Total	59.3%	59.3%	58.7%	58.5%	57.7%
African American (Headcount)	2,419	2,402	2,364	2,310	2,254
Percentage of Total	9.8%	9.9%	9.8%	9.60%	9.2%
White (Headcount)	19,515	19,318	19,348	19,376	19,808
Percentage of Total	79.2%	79.7%	80.0%	80.2%	81.1%
Other (Headcount)	2,701	2,518	2,477	2,455	2,377
Percentage of Total	11.0%	10.4%	10.2%	10.2%	9.7%
<b>Degrees Granted</b>					
Bachelor's	3,406	3,669	3,568	3,674	3,542
Master's	1,550	1,464	1,489	1,361	1,465
Doctoral	374	382	389	366	369
Professional	571	584	476	484	480

The University of North Carolina at Chapel Hill  
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	Fall Enrollment of Fiscal Year				
	1994-95	1993-94	1992-93	1991-92	1990-91
<b>Admissions - Freshmen</b>					
Applications	15,125	14,596	16,136	14,860	14,737
Accepted	6,145	5,985	5,735	5,460	5,630
Enrolled	3,498	3,331	3,211	3,142	3,252
Accepted as a Percentage of Applications	40.6%	41.0%	35.5%	36.7%	38.2%
Enrolled as a Percentage of Accepted	56.9%	55.7%	56.0%	57.5%	57.8%
Average SAT Scores - Total	1,128	1,126	1,122	1,120	1,112
Verbal	529	529	530	530	527
Math	599	597	592	590	585
<b>Enrollment</b>					
Undergraduate, Graduate and Professional FTE	21,918	21,758	21,398	21,391	21,486
Undergraduate, Graduate and Professional Headcount	24,463	24,299	23,944	23,794	23,852
Men (Headcount)	10,377	10,298	10,211	10,161	10,340
<i>Percentage of Total</i>	42.4%	42.4%	42.6%	42.7%	43.4%
Women (Headcount)	14,086	14,001	13,733	13,633	13,512
<i>Percentage of Total</i>	57.6%	57.6%	57.4%	57.3%	56.6%
African American (Headcount)	2,161	2,082	2,078	2,023	2,060
<i>Percentage of Total</i>	8.8%	8.6%	8.7%	8.5%	8.6%
White (Headcount)	20,042	20,007	19,812	19,906	20,091
<i>Percentage of Total</i>	82.0%	82.3%	82.7%	83.7%	84.2%
Other (Headcount)	2,260	2,210	2,054	1,855	1,701
<i>Percentage of Total</i>	9.2%	9.1%	8.6%	7.8%	7.1%
<b>Degrees Granted</b>					
Bachelor's	3,623	3,497	3,655	3,538	3,591
Master's	1,511	1,451	1,478	1,375	1,391
Doctoral	373	388	388	336	337
Professional	464	443	443	456	463

## Faculty and Staff Statistics

	Fall Employment of Fiscal Year				
	1999-2000	1998-99	1997-98	1996-97	1995-96
<b>Faculty</b>					
Full-time	2,601	2,477	2,421	2,417	2,369
Part-time	260	260	239	223	216
Total Faculty	2,861	2,737	2,660	2,640	2,585
Percentage Tenured	51.90%	54.60%	56.20%	57.90%	58.30%
<b>Staff and EPA Non-Faculty</b>					
Full-time	784	725	674	653	648
Part-time	63	56	53	56	57
EPA Non-Faculty	847	781	727	709	705
Full-time	5,996	5,790	5,587	5,236	5,519
Part-time	307	311	314	298	322
SPA	6,303	6,101	5,901	5,534	5,841
Total Full-time	6,780	6,515	6,261	5,889	6,167
Total Part-time	370	367	367	354	379
Total Staff and EPA Non-Faculty	7,150	6,882	6,628	6,243	6,546

	Fall Employment of Fiscal Year				
	1994-95	1993-94	1992-93	1991-92	1990-91
<b>Faculty</b>					
Full-time	2,328	2,297	2,249	2,245	2,134
Part-time	210	204	186	185	161
Total Faculty	2,538	2,501	2,435	2,430	2,295
Percentage Tenured	59.20%	59.60%	60.70%	61.10%	63.20%
<b>Staff and EPA Non-Faculty</b>					
Full-time	627	596	570	572	646
Part-time	51	55	52	48	39
EPA Non-Faculty	678	651	622	620	685
Full-time	5,468	5,405	5,115	4,891	4,971
Part-time	328	360	334	314	298
SPA	5,796	5,765	5,449	5,205	5,269
Total Full-time	6,095	6,001	5,685	5,463	5,617
Total Part-time	379	415	386	362	337
Total Staff and EPA Non-Faculty	6,474	6,416	6,071	5,825	5,954

*Note: SPA denotes employees subject to the State Personnel Act  
EPA denotes employees exempt from the State Personnel Act*

## Priorities for The University of North Carolina at Chapel Hill

*Intensify the intellectual climate for undergraduates, graduate and professional students, faculty, and staff.*

Provide multiple mechanisms to engage students actively in thinking and learning, especially at the beginning of their Chapel Hill experience (e.g., first-year seminars, living/learning opportunities, summer readings, service learning, co-curricular activities, improved TA training, etc.).

Improve financial support for graduate students.

Foster opportunities for undergraduate research in collaboration with faculty.

Improve physical settings for teaching, research, and learning in classrooms, laboratories, and informal spaces.

Improve academic advising and mentoring for undergraduate and graduate students.

Sustain the quality of our libraries.

Improve our communication of the University's intellectual life, both within and beyond the University.

*Improve the University's capacity to recruit, develop, and retain a high quality and diverse faculty, student body, and staff.*

Provide salaries and benefits required and the administrative flexibility to attract an outstanding and diverse faculty and staff.

Provide career development opportunities for faculty, staff, and graduate students (e.g., mentoring for junior faculty and graduate students, opportunities for staff to enhance job skills and career growth paths across units, and post-tenure review).

Improve merit and need-based scholarships, together with graduate teaching and research assistant tuition relief.

Provide appropriate spaces (e.g., faculty and staff workspaces, laboratories, graduate student domiciles, and master and regular classrooms).

Provide an effective administrative infrastructure (e.g., staff and systems for successful grant seeking, as well as for teaching, research, and service activities).

Increase the number and diversity of outstanding students who choose to enroll at Carolina.

*Identify and build on selected areas of current or potential excellence.*

Strengthen the University's exceptional commitment to excellence in undergraduate liberal-arts education, to service to the citizens of North Carolina, and to comprehensive health-care education and research in this the "University of the people."

Build on the University's research strengths, in a region rich in inter-institutional opportunities for collaboration.

In collaboration with deans and unit heads, develop criteria for and identify areas of current and emerging excellence that should be chosen for emphasis. Develop strategies for implementation; and at the same time, also collaboratively, identify programs to de-emphasize.

*Foster excellent interdisciplinary programs.*

Encourage entrepreneurial faculty efforts to identify and develop interdisciplinary research and teaching.

Develop a systematic review process to assure the quality of existing and future interdisciplinary programs.

Enhance access to and majors in interdisciplinary programs.

*Enhance the use of innovative information technologies to strengthen core University activities.*

Improve access and availability of up-to-date information technologies to meet the needs of all campus constituencies—faculty, staff, and students. These technologies include both the local and wide area network, personal and central computers, and educational and applications software. Provide the resources to renew and support these.

Provide campuswide support (e.g., training, consultation, evaluation, etc.) to both faculty and students for an online distributed learning environment.

Provide integrated access to knowledge resources in support of teaching, research, and service (e.g., digital library resources available from the desktop).

Standardize, automate, and redesign core processes (administrative, student service, and other) to take advantage of the efficiencies of automation. Develop and implement policies and procedures that permit central support of critical Universitywide networks and appropriate large-scale computing systems with decentralized and distributed support for the desktop environment.

*The 2000 Comprehensive Annual Financial Report of the University of North Carolina at Chapel Hill was printed without the use of State Funds. This report was prepared by the University Controller's Office and produced by Design Services.*

*The University of North Carolina at Chapel Hill is a constituent institution of The University of North Carolina System and a component unit of the State of North Carolina.*



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# 2000

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## **C o m p r e h e n s i v e   A n n u a l   F i n a n c i a l   R e p o r t**

Chapel Hill, North Carolina • Fiscal Year Ended June 30, 2000